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# CHILD POVERTY PROFILE
# 1998

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# CHILD POVERTY PROFILE 1998

SUMMER 2001

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## TABLE OF CONTENTS


**HIGHLIGHTS** ..... I

**DEFINITIONS** ..... III

**INTRODUCTION** ..... 1

**1.0 TRENDS** ..... 2

1.1 National Trends ..... 2
1.2 Provincial Trends ..... 4

**2.0 FAMILY TYPE** ..... 10

**3.0 NUMBER AND AGE OF CHILDREN** ..... 12

**4.0 AGE OF THE MAJOR INCOME EARNER** ..... 14

**5.0 EDUCATION OF THE MAJOR INCOME EARNER** ..... 16

**6.0 NUMBER OF EARNERS AND LABOUR FORCE ACTIVITY** ..... 20

**7.0 ABORIGINAL CHILDREN** ..... 23

**8.0 DEPTH OF POVERTY** ..... 27

8.1 Income Trends ..... 27
8.2 Income Deciles ..... 28
8.3 Average Income of the Poor Compared to the Non-Poor ..... 30
8.4 Poverty Gap ..... 31
8.5 Income Categories Based on Percentage of the Poverty Line ..... 33

**9.0 SOURCES OF INCOME** ..... 38

9.1 Major Source of Family Income ..... 38
9.2 Government Transfers ..... 39
9.3 Earnings, Welfare and Employment Insurance ..... 41
9.4 Canada Child Tax Benefit ..... 43

**10.0 DURATION OF POVERTY** ..... 49

10.1 All Children ..... 49
10.2 Young Children ..... 50
10.3 Family Type ..... 51

**CONCLUSION** ..... 54

**APPENDIX A: METHODOLOGY** ..... 56

Data Sources ..... 56
Measure of Poverty ..... 56
Deciles ..... 57

**APPENDIX B: COMPARISON TO OTHER NATIONAL COUNCIL OF WELFARE PUBLICATIONS** ..... 59

**MEMBERS OF THE NATIONAL COUNCIL OF WELFARE** ..... 60

**NATIONAL COUNCIL OF WELFARE** ..... 61

## LIST OF TABLES

TABLE 1.1, POVERTY TRENDS FOR CHILDREN UNDER 18 YEARS OF AGE, 1980-1998 ..... 5
TABLE 1.2, POVERTY TRENDS FOR TWO-PARENT FAMILIES, 1980-1998 ..... 6
TABLE 1.3, POVERTY TRENDS FOR SINGLE-PARENT MOTHERS, 1980-1998 ..... 7
TABLE 1.4, POVERTY TRENDS FOR SINGLE-PARENT FATHERS, 1980-1998 ..... 8
TABLE 1.5, POVERTY RATES (%) FOR CHILDREN UNDER 18 YEARS OF AGE BY PROVINCE, 1980-1998 ..... 9
TABLE 5.1, DISTRIBUTION OF CHILDREN BY HIGHEST LEVEL OF EDUCATION OF FAMILY MAJOR INCOME EARNER, 1998 ..... 19
TABLE 5.2, POVERTY RATE FOR FAMILIES WITH CHILDREN BY HIGHEST LEVEL OF EDUCATION OF FAMILY MAJOR INCOME EARNER, 1998 ..... 19
TABLE 6.1, CHILD POVERTY RATES BY NUMBER OF EARNERS IN FAMILY, 1998 ..... 22
TABLE 6.2, CHILD POVERTY RATES BY LABOUR FORCE ACTIVITY OF FAMILY MAJOR INCOME EARNER, 1998 ..... 22
TABLE 8.1, AVERAGE BEFORE-TAX INCOME BY FAMILY TYPE FOR POOR AND NON-POOR FAMILIES, 1980-1998 ..... 35
TABLE 8.2, AVERAGE INCOMES OF FAMILIES, 1998 ..... 36
TABLE 8.3, NUMBER AND DISTRIBUTION OF FAMILIES BY INCOME CATEGORIES BASED ON PERCENTAGE OF THE POVERTY LINE, 1998 ..... 36
TABLE 8.4, NUMBER AND DISTRIBUTION OF POOR FAMILIES WITH INCOME LESS THAN 50% OF THE POVERTY LINE, BY AGE OF FAMILY MAJOR INCOME EARNER, 1998 ..... 37
TABLE 9.1, TRANSFER PAYMENTS TO FAMILIES WITH CHILDREN, 1998 ..... 46
TABLE 9.2, SOURCES OF INCOME FOR POOR FAMILIES WITH CHILDREN, 1998 ..... 46
TABLE 9.3, INCOMES OF POOR FAMILIES WITH CHILDREN BY PRIMARY SOURCES OF INCOME, 1998 ..... 47
TABLE 9.4, NUMBER OF POOR FAMILIES WITH CHILDREN BY PRIMARY SOURCES OF INCOME, 1998 ..... 48
TABLE 10.1, PERCENTAGE DISTRIBUTION OF PEOPLE WITH LOW INCOME BY FAMILY TYPE, 1993-1998 ..... 53
TABLE A.1, STATISTICS CANADA'S LOW INCOME BEFORE TAX CUTOFFS ..... 57

## LIST OF FIGURES


FIGURE 1.1, CHILD POVERTY RATE IN CANADA, 1980-1998 ..... 2
FIGURE 1.2, FAMILY POVERTY RATES IN CANADA, 1980-1998 ..... 3
FIGURE 2.1, DISTRIBUTION OF CHILDREN IN CANADA BY FAMILY TYPE, 1998 ..... 10
FIGURE 2.2, NUMBER OF POOR CHILDREN BY SELECTED FAMILY TYPE, 1980 & 1998 ..... 11
FIGURE 3.1, POVERTY RATES FOR TWO-PARENT FAMILIES BY NUMBER AND AGE OF CHILDREN IN FAMILY, 1998 ..... 12
FIGURE 3.2, POVERTY RATES FOR SINGLE-PARENT MOTHERS BY NUMBER AND AGE OF CHILDREN IN FAMILY, 1998 ..... 13
FIGURE 4.1, DISTRIBUTION OF CHILDREN BY AGE OF MAJOR INCOME EARNER, 1998 ..... 14
FIGURE 5.1, DISTRIBUTION OF CHILDREN BY HIGHEST LEVEL OF EDUCATION OF MAJOR INCOME EARNER, 1998 ..... 16
FIGURE 5.2, DISTRIBUTION OF POOR TWO-PARENT FAMILIES BY HIGHEST LEVEL OF EDUCATION OF MAJOR INCOME EARNER, 1998 ..... 17
FIGURE 5.3, DISTRIBUTION OF POOR SINGLE-PARENT MOTHERS BY HIGHEST LEVEL OF EDUCATION OF MAJOR INCOME EARNER, 1998 ..... 18
FIGURE 6.1, CHILD POVERTY RATES BY NUMBER OF EARNERS IN FAMILY, 1998 ..... 20
FIGURE 6.2, DISTRIBUTION OF CHILDREN BY LABOUR FORCE ACTIVITY OF MAJOR INCOME EARNER, 1998 ..... 21
FIGURE 8.1, BEFORE-TAX INCOME BY FAMILY TYPE, 1980-1998 ..... 27
FIGURE 8.2, INCOME SHARE (%) BY DECILES FOR FAMILIES WITH CHILDREN ..... 29
FIGURE 8.3, PERCENTAGE CHANGE IN AVERAGE BEFORE-TAX INCOME BY DECILES FOR FAMILIES WITH CHILDREN, 1994-1998 ..... 29
FIGURE 8.4, AVERAGE BEFORE-TAX INCOME, 1998 ..... 30
FIGURE 8.5, POVERTY GAP FOR POOR SINGLE-PARENT MOTHERS BY NUMBER OF EARNERS, 1998 ..... 31
FIGURE 8.6, POVERTY GAP FOR POOR TWO-PARENT FAMILIES BY NUMBER OF EARNERS, 1998 ..... 32
FIGURE 8.7, DISTRIBUTION OF POOR FAMILIES BY INCOME CATEGORIES AS A PERCENTAGE OF POVERTY LINE, 1998 ..... 33
FIGURE 9.1, DISTRIBUTION OF CHILDREN BY MAJOR SOURCE OF FAMILY INCOME, 1998 ..... 39
FIGURE 9.2, AVERAGE GOVERNMENT TRANSFERS, 1998 ..... 40
FIGURE 9.3, GOVERNMENT TRANSFERS AS A PERCENTAGE OF TOTAL INCOME, 1998 ..... 40
FIGURE 9.4, AVERAGE INCOME OF POOR FAMILIES WITH CHILDREN FOR SELECTED SOURCES OF INCOME, 1998 ..... 41
FIGURE 9.5, DISTRIBUTION OF POOR FAMILIES WITH CHILDREN FOR SELECTED SOURCES OF INCOME, 1998 ..... 42
FIGURE 10.1, PERSISTENCE OF POVERTY FOR CHILDREN IN CANADA, 1993-1998 ..... 49
FIGURE 10.2, NUMBER OF YEARS IN POVERTY OF CHILDREN IN CANADA, BY AGE OF CHILD, 1993-1998 ..... 50
FIGURE 10.3, DISTRIBUTION OF PERSONS BY FAMILY TYPE AND NUMBER OF YEARS IN POVERTY, 1993-1998 ..... 52
FIGURE A.1, THE BEFORE-TAX INCOME DECILE LADDER FOR FAMILIES WITH CHILDREN, 1998 ..... 58

## HIGHLIGHTS

Child poverty rates declined from 1996 to 1998. The rate of 19.2 percent in 1998 was the lowest since 1992. However, this seven-year low still means that close to one in five children lived in poverty.

Single-parent mothers continue to have extremely high poverty rates. In 1998 the poverty rate for this type of family was 52.9 percent. The poverty rate for two-parent families was much lower at 10.7 percent.

Just over half of poor children lived in two-parent families compared to 81 percent of non-poor children.

Forty percent of poor children lived with single-parent mothers compared to 7.3 percent of non-poor children. Less than three percent of poor children lived with single-parent fathers. A similar proportion, 2.1 percent, of non-poor children lived with single-parent fathers.

Poverty rates for families tend to decrease once the youngest child reaches school age. For example, the poverty rate for two-parent families with one child less than seven years old was 10.4 percent in 1998. If the child was between seven and 17 years old, the poverty rate dropped to 7.4 percent.

Poverty rates for families tend to increase with the number of children in the family. For example, the poverty rate for single-parent mothers with one child less than seven years old was 61.3 percent in 1998. If there were two children less than seven years old, the poverty rate jumped to 82.6 percent.

Poor children are more likely to have younger parents. In 1998, close to three-quarters of poor children lived in families where the major income earner was less than 35 years old compared to 58.3 percent of non-poor children.

Close to one-third of poor children in 1998 lived in families where the major income earner had less than a high school diploma. Only four percent of poor children lived in a family where the major income earner had a university degree.

Higher levels of education do not necessarily make families immune to poverty. In 1998, almost half of the major income earners in poor two-parent families and 53.9 percent of poor single-parent mothers had actually gone beyond high school.

Less than a quarter of poor children lived in families where the major income earner worked full-year, full-time in 1998. Three-quarters of non-poor children lived in this type of family.

Almost a third of poor children lived in families where the major income earner did not work at all during the year in 1998.

Although a greater proportion of poor children lived in families where the major income earner did not work, the perception that poor children live in families where the adults do not work at all needs to be somewhat tempered. Fully half of poor children lived in families where the major income earner had worked part, if not all, of the year in 1998.

Aboriginal children have extremely high poverty rates. In 1995, three out of five (60 percent) Aboriginal children under six years old lived in poor families. The poverty rate for all children was much lower at one in four (25 percent). Among Aboriginal children six to 14 years old, the poverty rate was lower at 48 percent, but was still more than double the national rate of 22 percent.

Between 1994 and 1998 the average incomes of all families with children increased. However, the biggest increases went to the wealthiest families while the poorest families saw smaller increases.

Depth of poverty continues to be a serious concern. The average income of poor families with children was about $9,000 below the poverty line in 1998.

In 1998, there were more single-parent mothers living in deep poverty (less than half of the poverty line) than two-parent families.

Poor two-parent families were more likely to be close to the poverty line. More than half of poor two-parent families had incomes within 25 percent of the poverty line in 1998 compared to only a third of poor single-parent mothers.

More than half of poor children lived in families where the major source of income was government transfers.

Poor families that received welfare and had no earnings or Employment Insurance benefits had extremely low average incomes. The average income in 1998 for single-parent mothers was $13,395 and the average for two-parent families was $19,436.

Just over a third (34 percent) of children in Canada experienced poverty for at least one year between 1993 and 1998. Slightly more than 7 percent lived in poverty for the entire six years.

Children less than six years old were more likely than older children to have experienced poverty between 1993 and 1998. They were also more likely to have lived in poverty for the entire six years.

People living in single-parent families were exposed to poverty much more often than people in two-parent families between 1993 and 1998.

## DEFINITIONS

The focus of this paper is **children** under 18 years of age. Data is presented for both children and families with children. As 95 percent of all children in Canada lived in either non-elderly two-parent families or in non-elderly single-parent mother families in 1998, analysis at the family level will focus on these two types of families.

A **family** is defined as a group of individuals sharing a common dwelling unit and related by blood, marriage or adoption. The definition includes couples living in common-law relationships.

A **non-elderly family** is defined as a family in which the major income earner is less than 65 years old. Families referred to in this report are non-elderly families unless otherwise stated.

An **unattached child** is defined as a child living alone or in households where they are not related by blood, marriage or adoption to other household members.

From 1980 to 1995, Statistics Canada used the concept "**head of a family**." In families consisting of a married or common-law couple, the man was considered to be the "head." In lone-parent families with unmarried children, the parent was the "head." In other types of families, the "head" was usually the family member who was mainly responsible for the maintenance of the family or was the eldest in the family.

Starting in 1996 with the switch to the Survey of Labour and Income Dynamics as the source of low income data, the concept "head of a family" has been replaced with "**major income earner**". For each family, the major income earner is the person with the highest income before tax.

A **poor or low-income family** has an income below the poverty line, while a "**non-poor**" **family** has an income above the poverty line.

**Poverty rates** compare the number of poor persons or families in a particular category to all the persons or families in the same category. For example, there were an estimated 1,353,000 poor children in 1998. The estimated total number of children was 7,052,000. The poverty rate was 1,353,000 divided by 7,052,000 or 19.2 percent.

Sometimes, the terms **incidence of poverty** or **risk of poverty** are used instead of the poverty rate. The meaning of all three terms is the same.

**Income** refers to money income reported by all family members 16 years or older. Income includes gross wages and salaries, net income from self-employment, investment income, government transfer payments, pensions, and miscellaneous income (scholarships and child support payments, for example).

**Government transfer payments** include Employment Insurance, Old Age Security, Canada and Quebec Pension Plans, Guaranteed Income Supplements, Spouse's Allowance, Child Tax Benefit, other child credits or allowances, welfare from provincial and municipal programs, workers' compensation benefits, GST/HST credits, provincial and territorial tax credits and any other government transfers.

Some sections of this report refer to **earnings** rather than income. Earnings means gross wages and salaries and net income from self-employment.

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## INTRODUCTION

Child poverty in Canada is a subject that is much discussed and debated. The National Council of Welfare itself has reported extensively on the negative effect poverty has on children and their families. Good health and development during childhood are among the most important factors in making sure that people grow up healthy enough to learn, find work, raise families and participate fully in society for all their lives. Children in low-income families have higher risks of poor health and poor developmental outcomes than do children in middle-income and high-income families.

*Child Poverty Profile 1998* is a special report in the National Council of Welfare's annual series *Poverty Profile*. The report is based on data collected by Statistics Canada. Like the *Poverty Profile* publications, the report presents a statistical profile of poverty in Canada rather than a blueprint for eliminating poverty. The National Council of Welfare has published many other reports over the years that recommend actions for combating child poverty. Some of these recommendations are summarized in the conclusion.

We hope this report will lead to a better understanding of child poverty and encourage Canadians to think about how governments and Canadians themselves can use the tools at their disposal to ensure that every child has a fair chance to share in Canada's wealth and opportunities.

The report examines child poverty by looking at children specifically and by looking at their families. Children are not poor on their own. They are poor because their families are poor.

We start by examining poverty trends from 1980 to 1998 for children and their families. This is followed by snapshots of poverty in 1998 for many indicators such as family type, number and age of children in a family and age, education and work activity of parents. There is also a section on Aboriginal children.

It is one thing to measure the incidence of poverty and another to measure its severity. Data is presented on the depth of poverty of children's families using indicators such as average dollars below the poverty line and family incomes as a percentage of the poverty line. There is a section on the sources of income of poor children's families. And finally, information is presented on the duration of poverty.

In this report, the children described are zero to seventeen years old. Family data focuses on two-parent families and single-parent families that are non-elderly, that is, the family's major income earner is less than 65 years old.

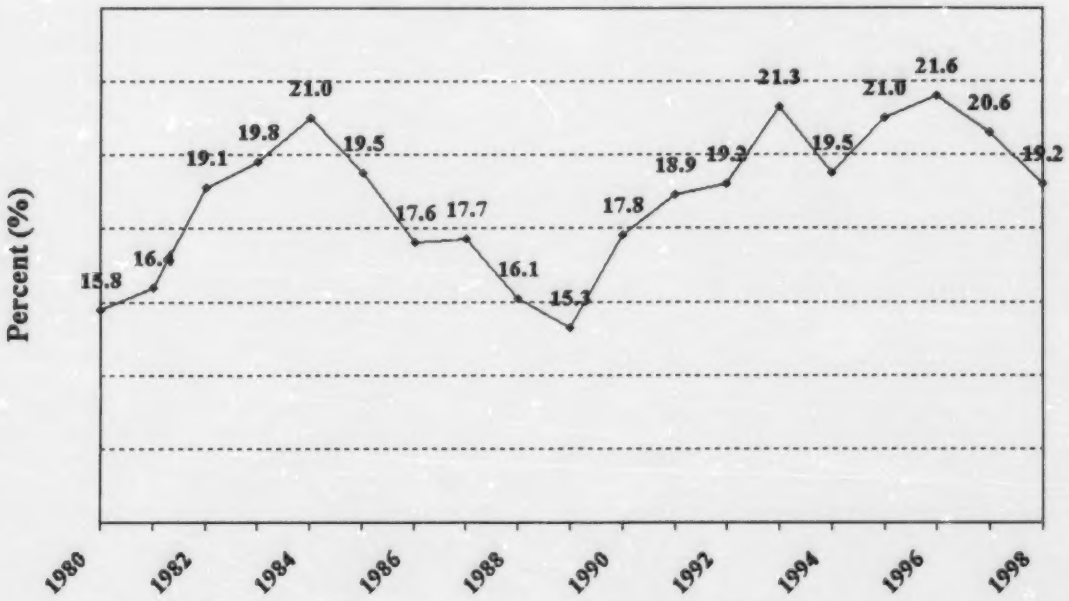
The 1998 income data were published by Statistics Canada under the title *Income in Canada, 1998*. Statistics Canada also provided custom tabulations to the National Council of Welfare. The analysis and interpretation of the data, however, is the responsibility of the National Council of Welfare, not Statistics Canada. Readers who wish to compare information presented in this report to other National Council of Welfare publications are advised to read the description of methodology presented in the appendix at the end of the report.

## 1.0 TRENDS

### 1.1 NATIONAL TRENDS

Overall, child poverty rates tend to rise in economic downturns and fall during economic growth. As shown in Figure 1.1, in the 1980s, the child poverty rate rose with the recession of 1981-1982, peaking in 1984 at 21 percent and then declining for the rest of the 1980s.

**Figure 1.1: Child Poverty Rate in Canada, 1980-1998**

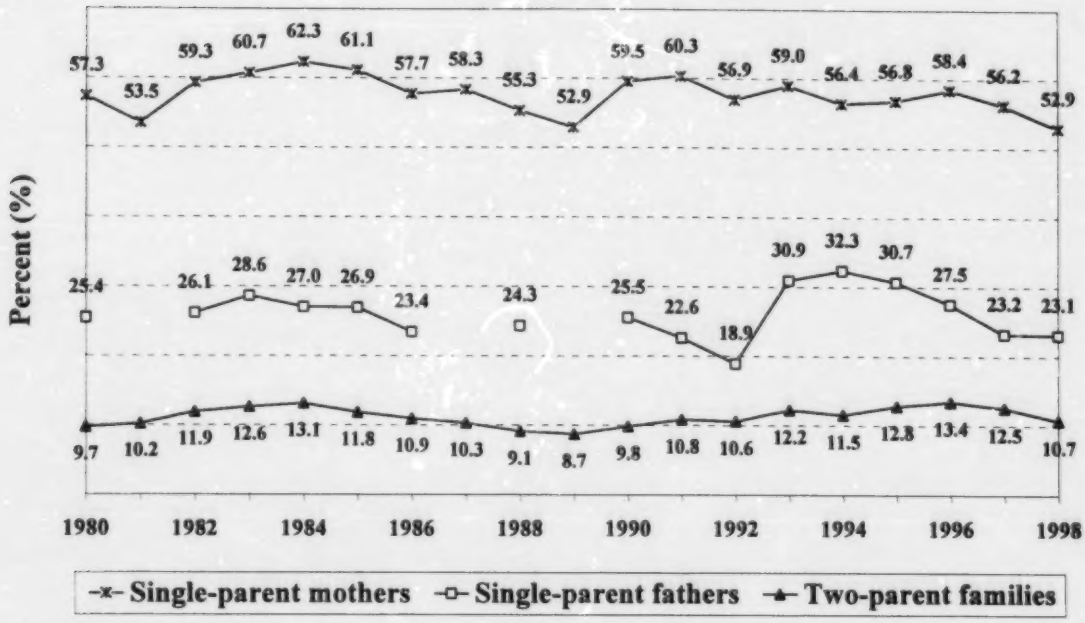



The recession of 1990-1991 drove child poverty up once again. In spite of the economic recovery following the recession, the rate continued to rise until 1996 when it peaked at 21.6 percent. The modest decline that began in 1997 continued in 1998 as the child poverty rate fell to 19.2 percent.

The number of poor children also peaked in 1996 at 1,533,000. As the poverty rate declined in the following years, so did the number of poor children. In 1998, there were 1,353,000 poor children in Canada. The number of poor children has not been lower than this since 1992. (Table 1.1)

When we look at poverty rates for families that have children, the importance of a second wage earner or potential second wage earner and the importance of two adults to support one another with family responsibilities becomes obvious. The poverty rates for families headed by single-parent mothers have consistently been five to six times higher on average than the poverty rates for two-parent families as we can see in Figure 1.2.

## Figure 1.2: Family Poverty Rates in Canada, 1980-1998




The poverty rate of two-parent families rose and fell with the overall state of the economy from 1980 through the early 1990s. Like child poverty, the rate continued to increase in the 1990s, only starting to decline in 1997. In 1998, the poverty rate of two-parent families was 10.7 percent, the lowest level since 1992. In 1998, there were 327,000 poor two-parent families. The number of poor two-parent families peaked in 1996 at 421,000. (Table 1.2)

Poverty rates for families headed by single-parent mothers have remained extremely high over the past two decades. Between 1980 and 1998, the poverty rate has fluctuated between 53 and 62 percent. Even though the poverty rate in 1998 is at a record low, more than half (52.9 percent) of these families lived in poverty. In 1998, there were 307,000 poor single-parent mothers. The number of poor single-parent mothers was highest in 1993 at 360,000. (Tables 1.3)

The trends for single-parent fathers are a bit more difficult to follow as their numbers are often too small for statistically reliable data to be collected about them. Single-parent fathers have consistently had poverty rates about two to three times higher than two-parent families. However, their poverty rates have always been drastically lower than those of single-parent mothers. For example, in 1998 the poverty rate for single-parent fathers was 23.1 percent compared to 52.9 percent for single-parent mothers. Due to the small number of single-parent fathers in Canada, the number of poor single-parent fathers is much smaller than the number of poor two-parent families in spite of their higher poverty rate. In 1998 there were 25,000 poor single-parent fathers compared to 327,000 poor two-parent families. (Table 1.4)

Single-parent mothers have, without fail, made up a disproportionate number of poor families with children. In 1998, for example, there were five times as many two-parent families as single-parent mothers, but an almost equal number of poor families. This inequity is due to the persistently high poverty rates for single-parent mothers. In almost twenty years, the poverty rate for these families has never dropped below 50 percent.

## 1.2 PROVINCIAL TRENDS

Like the national child poverty rate, provincial child poverty rates tend to rise in economic downturns and fall during economic growth. And like the national rate, provincial child poverty rates have not had a sustained recovery from the high rates of the recession of 1990-1991. Since 1992, provincial poverty rates have fluctuated up and down. In 1998, the rates in all provinces except Newfoundland went down. Between 1997 and 1998, Nova Scotia had the largest percentage point drop, down 4.1 percentage points, followed by Prince Edward Island (3.7 percentage points), Manitoba (3.5 percentage points) and British Columbia (3.2 percentage points). (Table 1.5)

**TABLE 1.1: POVERTY TRENDS FOR CHILDREN UNDER 18 YEARS OF AGE, 1980-1998**

| Year | Number of poor children | All children | Poverty rate (%) |
|---|---|---|---|
| 1980 | 1,061,000 | 6,713,000 | 15.8 |
| 1981 | 1,090,000 | 6,640,000 | 16.4 |
| 1982 | 1,258,000 | 6,575,000 | 19.1 |
| 1983 | 1,299,000 | 6,545,000 | 19.8 |
| 1984 | 1,361,000 | 6,483,000 | 21.0 |
| 1985 | 1,258,000 | 6,468,000 | 19.5 |
| 1986 | 1,148,000 | 6,518,000 | 17.6 |
| 1987 | 1,150,000 | 6,516,000 | 17.7 |
| 1988 | 1,053,000 | 6,558,000 | 16.1 |
| 1989 | 1,016,000 | 6,636,000 | 15.3 |
| 1990 | 1,195,000 | 6,732,000 | 17.8 |
| 1991 | 1,281,000 | 6,786,000 | 18.9 |
| 1992 | 1,316,000 | 6,865,000 | 19.2 |
| 1993 | 1,484,000 | 6,953,000 | 21.3 |
| 1994 | 1,362,000 | 6,997,000 | 19.5 |
| 1995 | 1,472,000 | 7,011,000 | 21.0 |
| 1996 | 1,533,000 | 7,095,000 | 21.6 |
| 1997 | 1,459,000 | 7,081,000 | 20.6 |
| 1998 | 1,353,000 | 7,052,000 | 19.2 |

**TABLE 2: POVERTY TRENDS FOR TWO-PARENT FAMILIES, 1980-1998**

| Year | Number of poor two-parent families | All two-parent families | Poverty rate (%) |
|---|---|---|---|
| 1980 | 297,000 | 3,073,000 | 9.7 |
| 1981 | 313,000 | 3,059,000 | 10.2 |
| 1982 | 360,000 | 3,032,000 | 11.9 |
| 1983 | 385,000 | 3,054,000 | 12.6 |
| 1984 | 390,000 | 2,976,000 | 13.1 |
| 1985 | 353,000 | 2,995,000 | 11.8 |
| 1986 | 331,000 | 3,030,000 | 10.9 |
| 1987 | 308,000 | 2,989,000 | 10.3 |
| 1988 | 277,000 | 3,036,000 | 9.1 |
| 1989 | 264,000 | 3,048,000 | 8.7 |
| 1990 | 298,000 | 3,047,000 | 9.8 |
| 1991 | 328,000 | 3,044,000 | 10.8 |
| 1992 | 320,000 | 3,032,000 | 10.6 |
| 1993 | 373,000 | 3,063,000 | 12.2 |
| 1994 | 355,000 | 3,091,000 | 11.5 |
| 1995 | 402,000 | 3,134,000 | 12.8 |
| 1996 | 421,000 | 3,137,000 | 13.4 |
| 1997 | 390,000 | 3,125,000 | 12.5 |
| 1998 | 327,000 | 3,062,000 | 10.7 |

**TABLE 1.3: POVERTY TRENDS FOR SINGLE-PARENT MOTHERS, 1980-1998**

| Year | Number of poor single-parent mothers | All single-parent mothers | Poverty rate (%) |
|---|---|---|---|
| 1980 | 206,000 | 360,000 | 57.3 |
| 1981 | 189,000 | 353,000 | 53.5 |
| 1982 | 231,000 | 389,000 | 59.3 |
| 1983 | 234,000 | 386,000 | 60.7 |
| 1984 | 266,000 | 427,000 | 62.3 |
| 1985 | 254,000 | 416,000 | 61.1 |
| 1986 | 233,000 | 403,000 | 57.7 |
| 1987 | 246,000 | 423,000 | 58.3 |
| 1988 | 245,000 | 444,000 | 55.3 |
| 1989 | 242,000 | 457,000 | 52.9 |
| 1990 | 289,000 | 486,000 | 59.5 |
| 1991 | 300,000 | 497,000 | 60.3 |
| 1992 | 343,000 | 604,000 | 56.9 |
| 1993 | 360,000 | 610,000 | 59.0 |
| 1994 | 312,000 | 554,000 | 56.4 |
| 1995 | 321,000 | 565,000 | 56.8 |
| 1996 | 328,000 | 563,000 | 58.4 |
| 1997 | 311,000 | 553,000 | 56.2 |
| 1998 | 307,000 | 580,000 | 52.9 |

**TABLE 1.4: POVERTY TRENDS FOR SINGLE-PARENT FATHERS, 1980-1998**

| Year | Number of poor single-parent fathers | All single-parent fathers | Poverty rate (%) |
|---|---|---|---|
| 1980 | 15,000 | 57,000 | 25.4 |
| 1981 | Sample too small | 61,000 | - |
| 1982 | 17,000 | 64,000 | 26.1 |
| 1983 | 15,000 | 53,000 | 28.6 |
| 1984 | 17,000 | 63,000 | 27.0 |
| 1985 | 15,000 | 56,000 | 26.9 |
| 1986 | 17,000 | 72,000 | 23.4 |
| 1987 | Sample too small | 60,000 | - |
| 1988 | 17,000 | 70,000 | 24.3 |
| 1989 | Sample too small | 61,000 | - |
| 1990 | 22,000 | 86,000 | 25.5 |
| 1991 | 17,000 | 73,000 | 22.6 |
| 1992 | 16,000 | 82,000 | 18.9 |
| 1993 | 31,000 | 101,000 | 30.9 |
| 1994 | 29,000 | 91,000 | 32.3 |
| 1995 | 29,000 | 95,000 | 30.7 |
| 1996 | 26,000 | 95,000 | 27.5 |
| 1997 | 23,000 | 101,000 | 23.2 |
| 1998 | 25,000 | 109,000 | 23.1 |

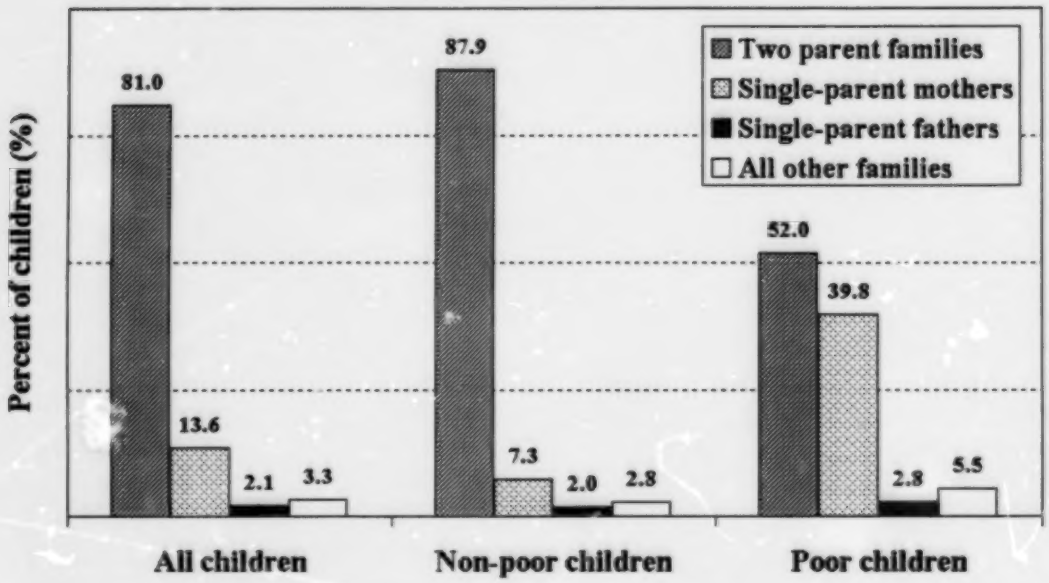
**TABLE 1.5: POVERTY RATES (%) FOR CHILDREN UNDER 18 YEARS OF AGE BY PROVINCE, 1980-1998**

| Year | Province | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Newfound-land | Prince Edward Island | Nova Scotia | New Brunswick | Quebec | Ontario | Manitoba | Saskatche-wan | Alberta | British Columbia |
| 1980 | 28.9 | 14.3 | 15.9 | 20.3 | 19.3 | 14.4 | 18.5 | 11.4 | 12.3 | 10.6 |
| 1981 | 21.6 | 22.7 | 18.0 | 23.9 | 20.0 | 13.6 | 19.6 | 19.7 | 11.9 | 14.3 |
| 1982 | 25.7 | 20.1 | 22.1 | 26.2 | 21.0 | 17.5 | 24.5 | 18.2 | 13.7 | 18.4 |
| 1983 | 31.2 | 16.1 | 22.8 | 27.3 | 21.2 | 17.4 | 23.8 | 22.6 | 19.3 | 16.7 |
| 1984 | 28.8 | 17.7 | 20.6 | 27.0 | 24.1 | 16.6 | 21.2 | 23.8 | 23.5 | 21.1 |
| 1985 | 28.6 | 14.8 | 19.9 | 21.2 | 21.2 | 15.9 | 22.8 | 21.2 | 20.2 | 21.7 |
| 1986 | 25.7 | 14.1 | 18.4 | 19.2 | 19.8 | 13.1 | 24.2 | 24.9 | 16.6 | 20.5 |
| 1987 | 25.4 | 15.1 | 17.6 | 20.7 | 20.9 | 12.7 | 23.2 | 19.9 | 20.4 | 18.7 |
| 1988 | 21.0 | 13.2 | 14.9 | 18.5 | 19.0 | 12.0 | 22.1 | 21.9 | 17.8 | 15.4 |
| 1989 | 19.8 | 12.7 | 16.5 | 18.0 | 16.3 | 11.6 | 22.7 | 22.0 | 19.1 | 14.7 |
| 1990 | 20.8 | 14.0 | 16.8 | 18.6 | 19.5 | 14.8 | 24.0 | 21.8 | 19.8 | 17.6 |
| 1991 | 20.6 | 15.6 | 20.6 | 19.2 | 20.4 | 17.3 | 30.9 | 22.4 | 19.2 | 14.4 |
| 1992 | 26.8 | 12.7 | 19.4 | 15.9 | 19.3 | 16.3 | 24.2 | 24.0 | 24.5 | 19.3 |
| 1993 | 21.8 | 11.4 | 23.4 | 18.0 | 21.4 | 20.8 | 26.1 | 24.8 | 20.6 | 21.5 |
| 1994 | 23.4 | 13.3 | 20.5 | 18.3 | 19.8 | 18.1 | 22.8 | 22.9 | 18.5 | 21.2 |
| 1995 | 26.2 | 14.2 | 21.5 | 24.4 | 22.6 | 19.1 | 23.2 | 21.8 | 21.7 | 20.8 |
| 1996 | 24.7 | 16.8 | 22.5 | 18.9 | 23.3 | 19.9 | 27.1 | 22.7 | 22.4 | 21.0 |
| 1997 | 24.6 | 16.2 | 23.4 | 18.4 | 24.7 | 18.7 | 27.1 | 20.3 | 18.3 | 18.1 |
| 1998 | 25.3 | 12.5 | 19.3 | 18.1 | 24.0 | 17.7 | 23.6 | 18.8 | 17.3 | 14.9 |

## 2.0 FAMILY TYPE

The vast majority (81.0 percent) of children in Canada lived in two-parent families in 1998 as shown in Figure 2.1. Another 13.6 percent of children lived with single-parent mother families and 2.1 percent lived with single-parent fathers. The remaining 3.3 percent of children lived in other types of families such as elderly families.

### Figure 2.1: Distribution of Children in Canada by Family Type, 1998




When we look at children who were not poor, the distribution by family type is very similar to that of all children, with a slightly higher percentage in two-parent families and a lower percentage in single-parent mother families.

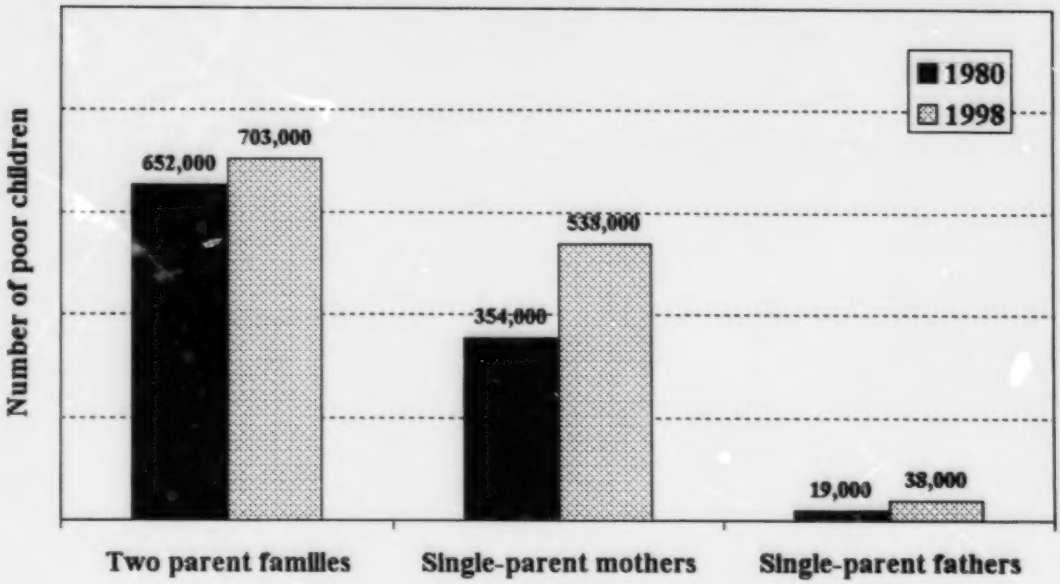
For poor children, the picture is quite different. Only half (52.0 percent) of poor children lived in two-parent families. Forty percent lived with single-parent mothers. This was roughly six times the rate for non-poor children.

A much higher percentage of poor children lived with single-parent mothers because the poverty rate for that family type was extremely high. As noted earlier, in 1998 the poverty rate for single-parent mothers was 52.9 percent compared to 10.7 percent for two-parent families.

The number of poor children living with single-parent mothers has increased by 52 percent in the last two decades as shown in Figure 2.2. There were 538,000 poor children living with single-parent mothers in 1998 compared to 354,000 in 1980. The increase has

been driven by the rise in the number of single-parent mothers over this time period and the persistently high poverty rate for this type of family. The number of poor children living in two-parent families also increased over the same time, but only by 7.8 percent.

## Figure 2.2: Number of Poor Children by Selected Family Type, 1980 and 1998



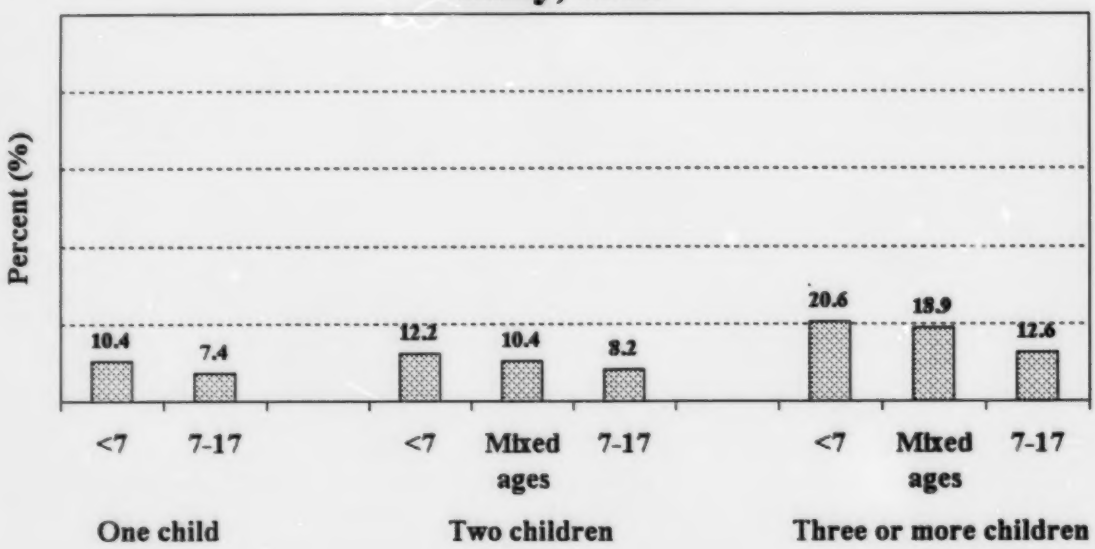

Although poor children are more likely to live with single-parent mothers than non-poor children, the long-standing myth that most poor children live in single-parent households is not true. In 1998, 703,000 poor children lived in two-parent families, while 538,000 lived with single-parent mothers and 38,000 lived with single-parent fathers.

## 3.0 NUMBER AND AGE OF CHILDREN

We have seen that poverty rates for two-parent families are relatively low, and rates for families led by single-parent mothers are high. Within these general ranges, the rates vary noticeably with the number and age of children.

Figure 3.1 shows the poverty rates for two-parent families, and Figure 3.2 shows the rates for families led by single-parent mothers. The figures show that poverty rates increase with the number of children but decrease once the youngest child reaches school age.

### Figure 3.1: Poverty Rates for Two-Parent Families by Number and Age of Children in Family, 1998

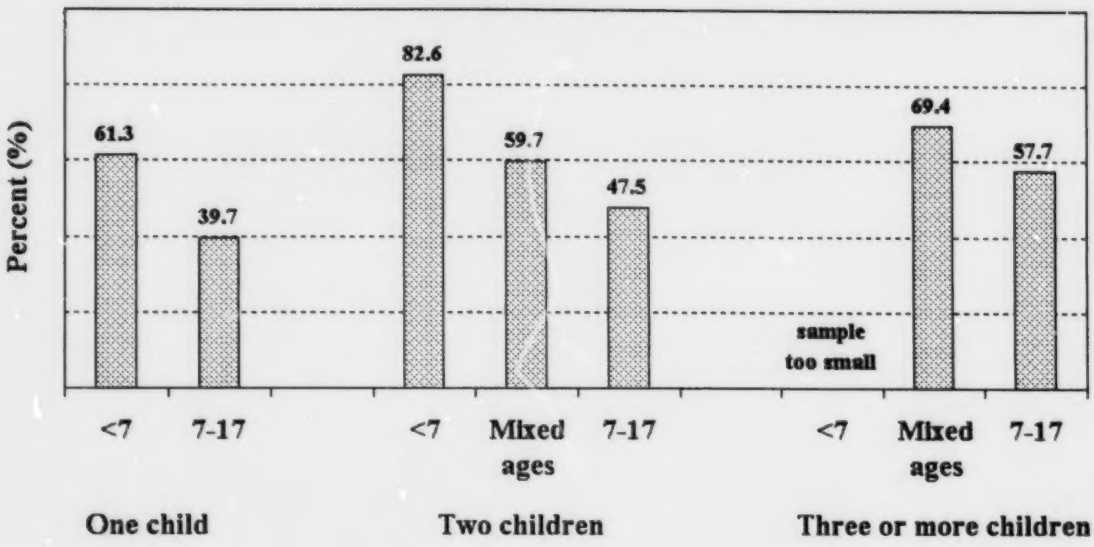



For example, look at the poverty rates in Figure 3.1 for two-parent families with two children. The poverty rate for these families when both children were under age seven was 12.2 percent in 1998. The rate drops to 10.4 percent when the two children were of mixed age groups - one under seven and one between seven and 17. The lowest rate was 8.2 percent when both children were seven or older. The same pattern exists for one child and for three or more children. However, the poverty rates are lower for one child and higher for three or more children.

We can see how the ages and numbers of children are also significant for families led by single-parent mothers. However, the poverty rates are much higher for single-parent mothers than for two-parent families. Figure 3.2 shows that the poverty rate for single-parent mothers when both children were under age seven was 82.6 percent in 1998. The rate drops to 59.7 percent when the two children were of mixed age groups - one under seven and one between seven and 17. The lowest rate was 47.5 percent when both children were seven or

older. Like two-parent families, the poverty rates are lower when there is only one child in the family and higher when there are three or more children.

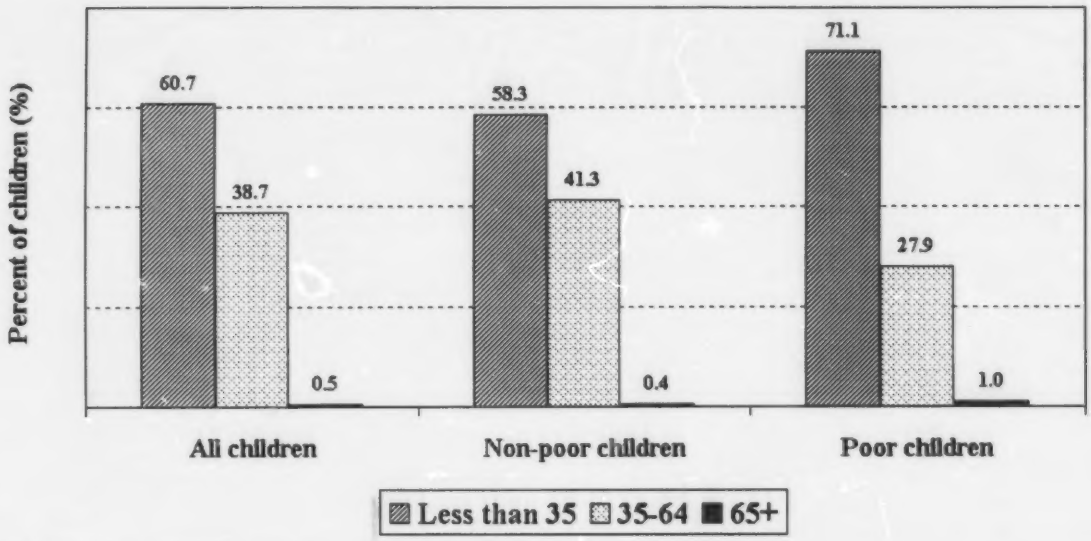
## Figure 3.2: Poverty Rates for Single-Parent Mothers by Number and Age of Children in Family, 1998



## 4.0 AGE OF THE MAJOR INCOME EARNER

Poor children were more likely to live with younger parents than non-poor children as illustrated in Figure 4.1. In 1998, close to three-quarters (71.1 percent) of poor children lived in families where the major income earner was less than 35 years old compared to 58.3 percent of non-poor children.

# Figure 4.1: Distribution of Children by Age of Major Income Earner, 1998




Excludes 9,000 unattached children, that is, children who were not living with a relative.

This is not surprising given that younger families have higher poverty rates than older families. For example, in 1998 the poverty rate was 44.6 percent for two-parent families where the major income earner was less than 25 years old. The rate drops to 9.5 percent when the major income earner was between 35 and 44 years old.

A similar pattern is observed for single-parent mothers, although the poverty rates are more extreme. The poverty rate was 82.7 percent for single-parent mothers who were less than 25 years old. The rate dropped to 45.1 percent for single-parent mothers between 35 to 44 years old. Although 45.1 percent is still an exceptionally high poverty rate, it is almost half that of the younger mothers.

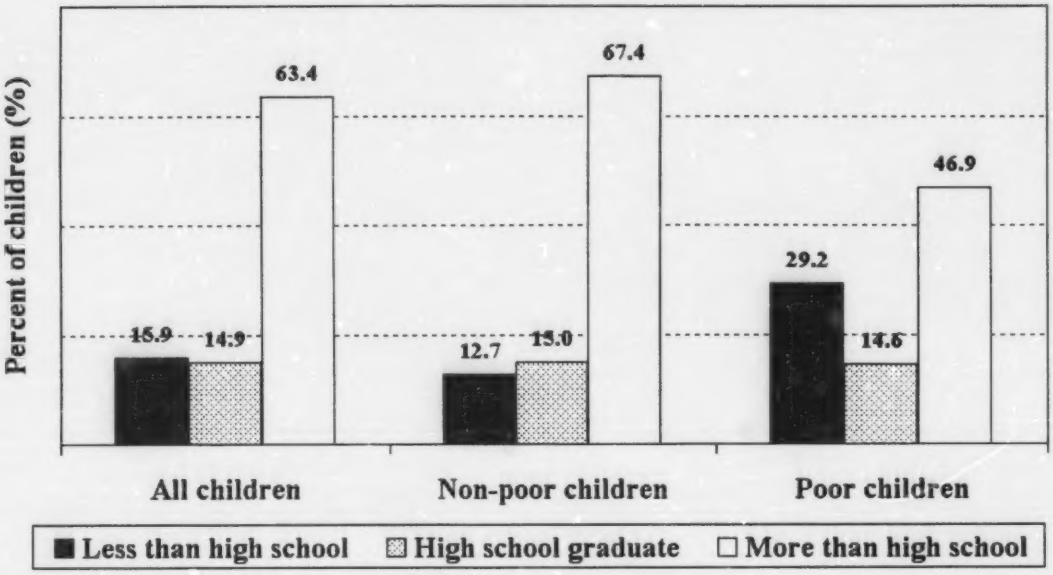
The higher poverty rate for young parents reflects a number of factors. The unemployment rate for people under 25 years old is higher than for older age groups. Young working parents are more likely to have lower entry-level wages than wages for older, more experienced workers. Young parents may also have interrupted their education or postponed

higher education in order to look after their children. Lower levels of education often translate into lower earnings.

## 5.0 EDUCATION OF THE MAJOR INCOME EARNER

As Figure 5.1 shows, in 1998 only 15.9 percent of children in Canada lived in families where the major income earner had less than a high school diploma. The number is slightly lower for non-poor children at 12.7 percent. For poor children, the story is quite different. Close to one-third (29.2 percent) of poor children lived in families where the major income earner's level of education was less than high school.

### Figure 5.1: Distribution of Children by Highest Level of Education of Major Income Earner, 1998




As income is often closely related to education, these findings are not surprising. As might be expected, a high percentage (67.4 percent) of non-poor children lived in families where the major income earner had more than a high school degree. Less than half (46.9 percent) of poor children lived in this type of family. More telling, only four percent of poor children lived in a family where the major income earner had a university degree, compared to 20.2 percent of non-poor children. (Table 5.1)

Interestingly, the same percentage of poor children and non-poor children live in families where the major income earner's highest level of education is a high school diploma. This would seem to emphasize that education below and above a high school diploma have the largest impact on whether a child lives in poverty.

When we look at poverty rates by family type, we see the strong effect that education can have on the risk of poverty. As shown earlier, the poverty rate for single-parent mothers in 1998 was 52.9 percent. If the mother had at least a high school diploma, the poverty rate

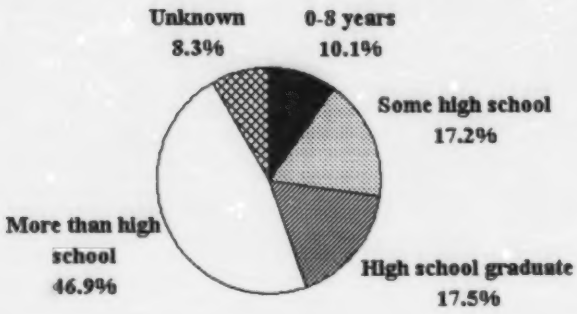
dropped slightly to 47.1 percent. If the mother's highest level of education was less than high school, the poverty rate jumped to 73.8 percent. (Table 5.2)

Poverty rates for two-parent families show the same pattern although the rates are lower. For all two-parent families, the poverty rate in 1998 was 10.7 percent. For families where the major income earner had at least a high school diploma, the poverty rate was slightly lower at 8.5 percent. When the major income earner did not have at least a high school diploma, the poverty rate was double that of all families at 20.5 percent. (Table 5.2)

Low levels of education can be either a cause of poverty or an effect. Young people who drop out of school may be poor because they lack the skills needed to get good jobs. On the other hand, young women who drop out of school because they are pregnant may be poor because of the hardships associated with single parenthood. The fact that they are poorly educated is a result of their family circumstances rather than an immediate cause of poverty.

We have seen that the risk of poverty tends to decrease with higher levels of education. This does not mean, however, that higher levels of education make families immune to poverty. Figures 5.2 and 5.3 show that almost half (46.9 percent) of all poor two-parent family major income earners and 53.9 percent of poor single-parent mothers had actually gone beyond high school. Poor people are obviously not all uneducated. Poverty may also be a result of few job opportunities or barriers to accepting and holding a job than simply a lack of education. Examples of some barriers could range from disabilities to a lack of affordable, quality child care.

## Figure 5.2: Distribution of Poor Two-Parent Families by Highest Level of Education of Major Income Earner, 1998



# Figure 5.3: Distribution of Poor Single-Parent Mothers by Highest Level of Education of Major Income Earner, 1998

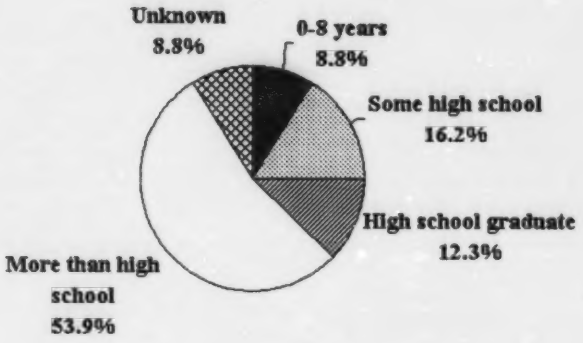


**TABLE 5.1: DISTRIBUTION OF CHILDREN BY HIGHEST LEVEL OF EDUCATION OF FAMILY MAJOR INCOME EARNER, 1998***

| Highest level of education | All children | | Non-poor children | | Poor children | |
|---|---|---|---|---|---|---|
| | Number | % | Number | % | Number | % |
| Less than high school | 1,118,000 | 15.9 | 725,000 | 12.7 | 393,000 | 29.2 |
| High school diploma | 1,049,000 | 14.9 | 853,000 | 15.0 | 196,000 | 14.6 |
| Some post-secondary | 843,000 | 12.0 | 626,000 | 11.0 | 217,000 | 16.1 |
| Post-secondary diploma | 2,422,000 | 34.4 | 2,063,000 | 36.2 | 359,000 | 26.7 |
| University degree | 1,203,000 | 17.1 | 1,149,000 | 20.2 | 54,000 | 4.0 |
| Unknown | 409,000 | 5.8 | 283,000 | 5.0 | 126,000 | 9.4 |
| Total | 7,043,000 | 100.0 | 5,698,000 | 100.0 | 1,344,000 | 100.0 |

*Excludes 9,000 unattached children, that is, children who were not living with a relative.

**TABLE 5.2: POVERTY RATE FOR FAMILIES WITH CHILDREN BY HIGHEST LEVEL OF EDUCATION OF FAMILY MAJOR INCOME EARNER, 1998**

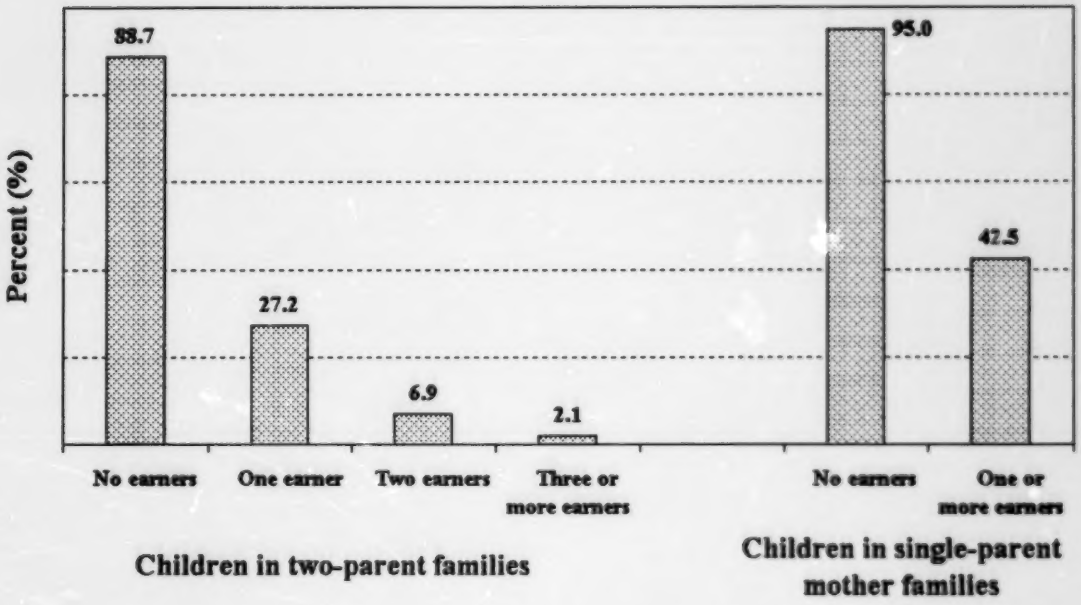
| Highest level of education | Two-parent family | | Single-parent mothers | |
|---|---|---|---|---|
| | Number of poor families | Poverty rate (%) | Number of poor families | Poverty rate (%) |
| Less than high school | 89,000 | 20.5 | 76,000 | 73.8 |
| High school diploma or more | 211,000 | 8.5 | 204,000 | 47.1 |

## 6.0 NUMBER OF EARNERS AND LABOUR FORCE ACTIVITY

The work activity of the adults in a family plays a key role in determining if the family is poor or not. We examine work activity by looking at the number of earners in a child's family and the labour force activity of the major income earner in the family. The number of earners tells us how many adults worked during the year, regardless of how long the work lasted or if it was full-time or part-time. Labour force status tells us if the major income earner in the family worked full-time for the full year or some other arrangement such as part-time or part year.

Figure 6.1 shows child poverty rates by the number of earners in a family in 1998. Children with no earners in their families had the highest poverty rates in 1998. Almost all children (95 percent) in single-parent mother families with no earners were poor and 88.7 percent of children in two-parent families were poor. With one earner in the family, poverty rates drop substantially. However, children in single-parent mother families with one earner had much higher poverty rates than children in two-parent families with one earner – 42.5 percent compared to 27.2 percent. For both types of families, more poor children lived in families with at least one earner than in families with no earner. (Table 6.1)

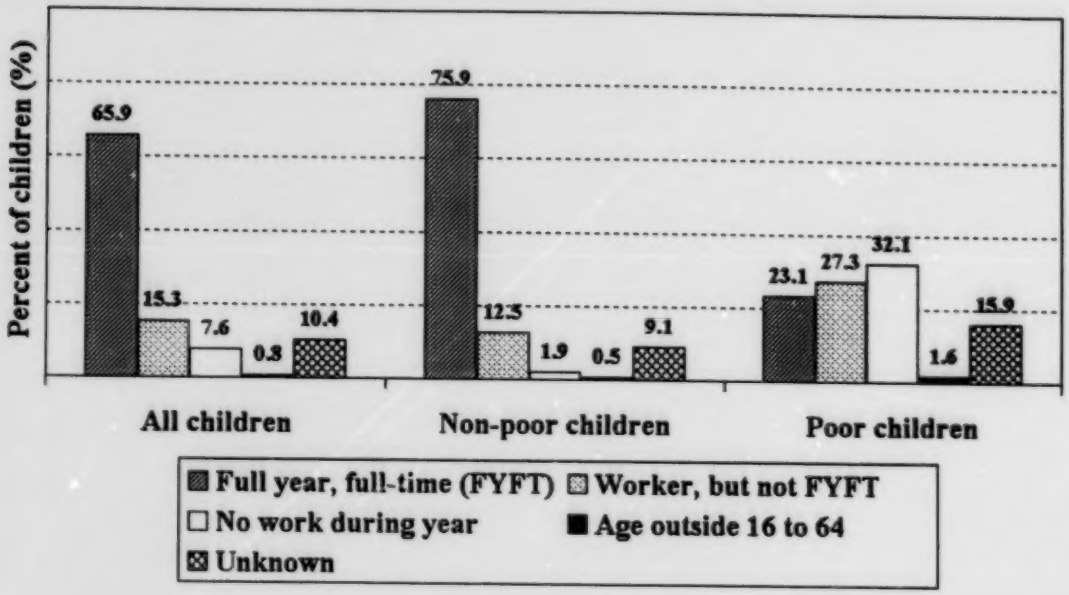
### Figure 6.1: Child Poverty Rates by Number of Earners in Family, 1998




As would be expected, there was a significant difference between the distribution of poor and non-poor children by the labour force activity of the major income earner in the family. Figure 6.2 shows that three-quarters of non-poor children lived in families where the major income earner worked full year, full-time in 1998. Only 23.1 percent of poor children lived in

such families, although a further 27.3 percent lived in families where the major income earner worked at some point during the year, although not full year, full-time.

## Figure 6.2: Distribution of Children by Labour Force Activity of Major Income Earner, 1998




Almost a third (32.1 percent) of poor children lived in families where the major income earner did not work at all during the year. Only 1.9 percent of non-poor children lived in this type of family.

Although a greater proportion of poor children lived in families where the major income earner did not work, the perception that poor children live in families where the adults do not work at all needs to be somewhat tempered. Fully half of poor children lived in families where the major income earner had worked part, if not all, of the year in 1998.

This observation raises questions about the adequacy of jobs available to the working parents of these children. There were 311,000 poor children living in families where the major income earner worked full-year, full-time. Children who lived in two-parent families were still buffered from poverty more than those who lived with single-parent mothers. Of children who lived in two-parent families where the major income earner worked full-year, full-time, only 5.6 percent were poor. For children living with single-parent mothers who worked full-year, full-time, 18.9 percent were poor. (Table 6.2)

**TABLE 6.1: CHILD POVERTY RATES BY NUMBER OF EARNERS IN FAMILY, 1998**

| Number of earners by family type | All children | Poor children | Poverty rate (%) |
|---|---|---|---|
| All two-parent families | 5,712,000 | 703,000 | 12.3 |
| No earners | 175,000 | 155,000 | 88.7 |
| One earner | 1,034,000 | 281,000 | 27.2 |
| Two earners | 3,596,000 | 248,000 | 6.9 |
| Three or more earners | 907,000 | 19,000 | 2.1 |
| All single-parent mother families | 956,000 | 538,000 | 56.3 |
| No earners | 252,000 | 239,000 | 95.0 |
| One or more earners | 704,000 | 299,000 | 42.5 |

**TABLE 6.2: CHILD POVERTY RATES BY LABOUR FORCE ACTIVITY OF FAMILY MAJOR INCOME EARNER, 1998**

| Labour force activity of major family income earner | Total children* | | Children in two-parent families | | Children in single-parent mother families | |
|---|---|---|---|---|---|---|
| | Number of poor children | Poverty rate (%) | Number of poor children | Poverty rate (%) | Number of poor children | Poverty rate (%) |
| Full year, full-time | 311,000 | 6.7 | 235,000 | 5.6 | 61,000 | 18.9 |
| Worker, but not full-year, full-time | 367,000 | 34.0 | 165,000 | 22.3 | 178,000 | 64.1 |
| Did not work during year | 431,000 | 80.1 | 197,000 | 73.5 | 205,000 | 89.8 |
| Age outside 16-64 | 22,000 | 41.1 | 0 | – | 0 | – |
| Unknown | 214,000 | 29.1 | 107,000 | 19.6 | 95,000 | 73.2 |
| Total | 1,344,000 | 19.1 | 703,000 | 12.3 | 538,000 | 56.3 |

*Excludes 9,000 unattached children, that is, children who were not living with a relative.

## 7.0 ABORIGINAL CHILDREN

We have just examined factors that put children and their families at a higher risk of poverty. We can look at these same factors for Aboriginal children. We do not have much data about the number of Aboriginal children who live in families with these risk factors, but we do have information about many of these risk factors for the Aboriginal population in general.

Previous editions of *Poverty Profile* did not include information about Aboriginal people because data was not readily available from the annual income survey. Given the high rates of poverty of Aboriginal people in Canada, we feel it is important to present what we can from other sources of data. For this report, most data on Aboriginal children comes from the 1996 census. Children are defined to be under 15 years old, unlike the under 18 years of age definition used in the rest of this publication.

Readers should keep in mind that there are often variations within the Aboriginal population by factors such as Aboriginal group (North American Indian, Métis or Inuit) or by geographic location (province or territory, urban or rural). In this section we present data for all Aboriginal people without detailed breakdowns.

We have seen that children living with single-parent mothers have substantially higher rates of poverty than children living in two-parent families do. In 1996, almost one-third (32 percent) of all Aboriginal children under the age of 15 living in families lived in a single-parent family (mother or father). This was twice the rate for children in the general population. The rate is even higher when we look at Aboriginal children living in large urban areas. About 46 percent of Aboriginal children living in families in large urban areas were in a single-parent family.[1]

As shown earlier, families with more children had higher poverty rates. On average, Aboriginal women have more children than non-Aboriginal women. For example, in 1996 an Aboriginal single-parent mother had an average of 2.3 children, compared to 1.8 children for non-Aboriginal single-parent mothers.[2]

A low level of education is a risk factor for poverty. While Aboriginal people have made gains in education in past years, they have experienced little improvement relative to non-Aboriginal people. In 1996, over half (54 percent) of Aboriginal people aged 15 and over had not received a high school diploma compared to 35 percent of the non-Aboriginal population. For younger Aboriginal people aged 20 to 29, a smaller proportion (45 percent) had not received a high school diploma. However, this was still considerably higher than the corresponding proportion, 17 percent, for non-Aboriginal people aged 20 to 29.[3]

In Section 5.0, we showed that the majority of children who were not poor lived in families where the major income earner had more than a high school diploma. Relatively fewer Aboriginal people (37.9 percent) aged 15 and older had this level of education in 1996

[1] Statistics Canada, *The Daily*, (Catalogue 11-001E), January 13, 1998.
[2] Statistics Canada, *Women in Canada 2000*, (Catalogue No. 89-503-XPE), p.251, 254.
[3] Statistics Canada, *The Daily*, (Catalogue 11-001E), April 14, 1998.

than non-Aboriginal people (51.3 percent). Looking specifically at university degrees, there is a substantial gap between Aboriginal and non-Aboriginal people. A very small percentage, 3.3 percent, of Aboriginal people aged 15 and older held university degrees in 1996 compared with 13.5 percent of non-Aboriginal people.[4] The difference is even greater for younger people. Four percent of the Aboriginal population 20 to 29 years old had a university degree compared to 19 percent of non-Aboriginal people.[5]

Young Aboriginal people are less likely to attend school than young non-Aboriginal people. About two-thirds (68 percent) of Aboriginal people 15 to 19 years old were in school (full-time or part-time) in 1996 compared to 83 percent of their non-Aboriginal counterparts. Similarly, for people aged 20 to 24, 31 percent of Aboriginal people were attending school compared to 49 percent of non-Aboriginal people.[6] However, it seems that Aboriginal people are more likely than non-Aboriginal individuals to return to school as adults. In 1996, 12 percent of Aboriginal people aged 25 to 34 were full-time students compared to the corresponding 6 percent of non-Aboriginal people. The same pattern can be seen in the next oldest age group of 35 to 44. Seven percent of Aboriginal individuals in this age group were full-time students compared to 3 percent of non-Aboriginal people.[7]

There are many reasons for the challenges Aboriginal people face in predominantly non-Aboriginal education systems. For example, the first language of many Aboriginal people is not the language (English or French) of the schools they attend. Aboriginal students may have fewer role models to encourage them to continue their schooling. In addition, many Aboriginal communities are geographically remote and may have found it difficult to recruit and keep well-qualified teachers.[8] Aboriginal children in geographically remote communities may also have to leave the community to attend post-secondary, or even secondary, school.

There are different ways to represent the Aboriginal population of Canada. The information quoted in this section uses the Aboriginal identity concept as the definition for the Aboriginal population. A person is considered to be Aboriginal if they reported identifying with at least one Aboriginal group in the 1996 Census question, "Is this person an Aboriginal person, that is, North American Indian, Métis, or Inuit (Eskimo)?" and/or who reported being a Treaty Indian or Registered Indian as defined by the *Indian Act of Canada*, and/or who were members of an Indian Band or First Nation.

In the 1996 Census, enumeration was not permitted, or was interrupted before it could be completed, on 77 Indian reserves and settlements. It is estimated that 44,000 people on these reserves and settlements were incompletely enumerated. These people are not included in the tabulations used in this section.

We saw that poor children are more likely to live in families where the major income earner does not work at all or does not work full-time, full-year. Aboriginal

[4] Statistics Canada, *Nation Series - Aboriginal*, (Catalogue 93F0025XDB96000), Table 1.
[5] Statistics Canada, *Education Indicators in Canada 1999*, (Catalogue No. 81-582-XIE), p. 235.
[6] Statistics Canada, *Aboriginal Peoples in Canada – Canadian Centre for Justice Statistics Profile Series* (Catalogue No. 85F0033MIE), p. 5.
[7] Statistics Canada, *The Daily*, (Catalogue 11-001E), April 14, 1998.
[8] Statistics Canada, *Education Indicators in Canada 1999*, (Catalogue No. 81-582-XIE), p. 96.

people are less likely to be part of the paid workforce. For example, in 1996, 41 percent of Aboriginal women and 48 percent of Aboriginal men were employed compared to 53.1 percent of non-Aboriginal women and 65.6 percent of non-Aboriginal men.[9] Of those Aboriginal people who reported employment income for 1995, just over one-third worked for the full year on a full-time basis compared with half of the total population.[10]

Those Aboriginal people who were employed tended to be concentrated in low-paying occupations. In 1996, they were over-represented in primary industries, in sales and service jobs and in trades. They were underrepresented among those employed in higher paying occupations like management positions and in professional occupations.[11]

The incomes of Aboriginal people are substantially lower than the incomes of non-Aboriginal people. In 1995, the average income of Aboriginal people was $15,700. This was only 62 percent of the average income of non-Aboriginal people ($25,400). Like the non-Aboriginal population, the largest share of the income of Aboriginal people comes from employment earnings. In 1995, wages and salaries plus net self-employment income made up 70 percent of all income of Aboriginal people, slightly lower than the 75 percent figure for non-Aboriginal people. However, Aboriginal people receive about one-quarter of their income from government transfer payments. This is much higher than the 14 percent share for the non-Aboriginal population.[12]

Given these risk factors, it would be expected that Aboriginal children have high poverty rates. We can first examine poverty rates using low-income cutoffs. Low income cutoffs exclude the approximately 36 percent of the Aboriginal population residing on reserves or in the three territories. Since income is generally lower for the Aboriginal population on reserves compared to those living off-reserve, their inclusion would likely increase the incidence of low income among the Aboriginal population.

Using the low income cutoffs, in 1995 three out of five (60 percent) Aboriginal children under six years old lived in poor families. The national rate was much lower at one in four (25 percent). Among Aboriginal children six to 14 years old, the poverty rate was lower at 48 percent, but was still more than double the national rate of 22 percent.[13] We saw earlier that the poverty rate for single-parent mothers was extremely high. It was even higher for Aboriginal single-parent mothers. Almost three-quarters (73 percent) of Aboriginal single-parent mothers were poor in 1995. The rate for non-Aboriginal single-parent mothers was 45 percent.[14]

To include Aboriginal people living on reserves or in the three territories, we can use the income category that falls below $10,000 as a proxy for a poverty line. Almost half of all Aboriginal people (46 percent) aged 15 and older had incomes below $10,000 in 1995. This is much higher than the rate of 27 percent for the non-Aboriginal population. In some major urban areas in the west, the rates are higher. Around half of Aboriginal people in Saskatoon

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[9] Statistics Canada, *Women in Canada 2000*, (Catalogue No. 89-503-XPE), p. 265.
[10] Statistics Canada, *The Daily*, (Catalogue 11-001E), May 12, 1998.
[11] Statistics Canada, *Aboriginal Peoples in Canada – Canadian Centre for Justice Statistics Profile Series* (Catalogue No. 85F0033MIE), p. 5.
[12] Statistics Canada, *Aboriginal Peoples in Canada – Canadian Centre for Justice Statistics Profile Series* (Catalogue No. 85F0033MIE), p. 6.
[13] Statistics Canada, *The Daily*, (Catalogue 11-001E), May 12, 1998.
[14] Statistics Canada, *Women in Canada 2000*, (Catalogue No. 89-503-XPE), p. 259.

(51 percent), Regina (48 percent) and Edmonton (47 percent) had incomes less than $10,000.[15]

[15] Statistics Canada, *Aboriginal Peoples in Canada – Canadian Centre for Justice Statistics Profile Series* (Catalogue No. 85F0033MIE), p. 6.

## 8.0 DEPTH OF POVERTY

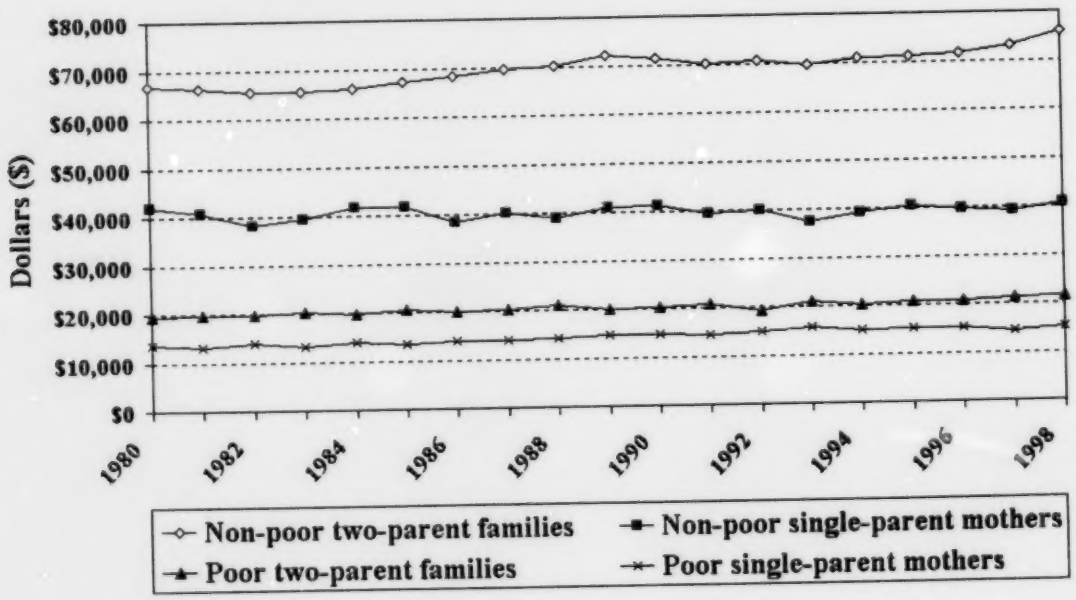
Measuring the incidence of poverty does not give us a clear idea of the severity of poverty. We can look at the financial plight of poor families by comparing their incomes to the average incomes of non-poor families. We can also examine the depth of poverty to see if poor people live in abject poverty or a few dollars below the poverty line. We'll start with an overview of average income.

Note that this section looks at families, not individual children, as income is calculated for the entire family. Incomes are presented in 1998 constant dollars. This means that the dollar amounts have been adjusted for the impact of price changes (inflation) by expressing them in terms of their value, or purchasing power, in 1998.

### 8.1 INCOME TRENDS

Figure 8.1 shows average incomes for families with children between 1980 and 1998. The average income of poor two-parent families increased 11.6 percent from $19,374 in 1980 to $21,612 in 1998. The average income of non-poor two-parent families improved by 13.3 percent, greater than the increase for poor families. The actual dollar increase for non-poor families of $8,919 was much greater than that of poor two-parent families given the substantially higher average income of non-poor families.

**Figure 8.1: Before-Tax Income by Family Type, 1980-1998 (in 1998 constant dollars)**



The increase in poor single-parent mothers' average income was marginally lower than that for poor two-parent families at 10.8 percent. Average incomes rose from $13,639 in 1980 to $15,119 in 1998. The average incomes of single-parent mothers who were not poor have fluctuated around $40,000 since 1980. Their incomes dropped 3.2 percent between 1980 and 1998. The 1980 average income of $42,105 was the highest income level recorded during this time. (Table 8.1)

## 8.2 INCOME DECILES

Income deciles are a convenient way of categorizing the population from the lowest income to the highest income. In this case, families with children are ranked from the lowest to highest by value of their total income. The ranked families are then divided into ten groups of equal numbers of families called deciles. We can use deciles to look at the relative situation of families at either end or in the middle of the scale. We have information by deciles for families with children from 1994 to 1998.

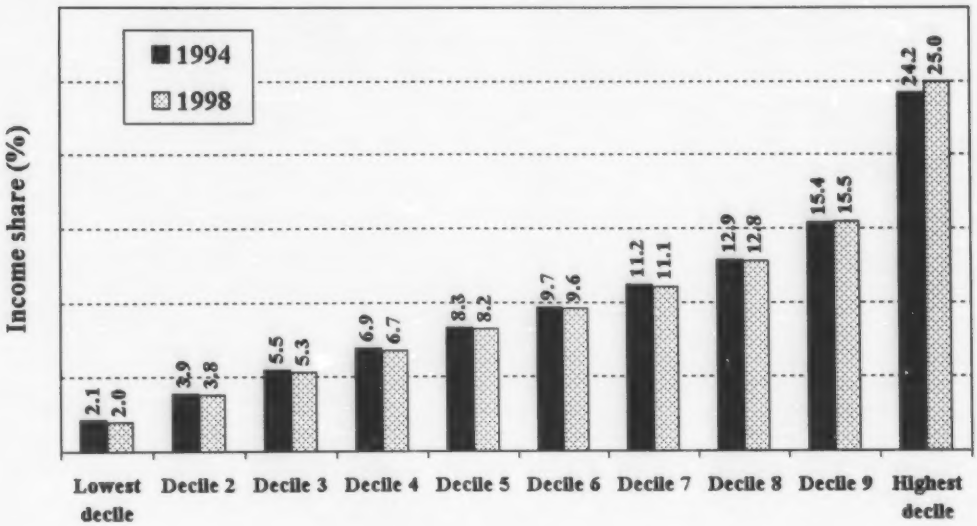
**Income deciles dollar ranges for families with children, 1998**

| Decile | Range |
|---|---|
| Lowest decile | $18,692 or less |
| 2 | $18,693 – $28,714 |
| 3 | $28,715 – $37,894 |
| 4 | $37,895 – $46,502 |
| 5 | $46,503 – $55,415 |
| 6 | $55,416 – $64,362 |
| 7 | $64,363 – $73,555 |
| 8 | $73,556 – $87,094 |
| 9 | $87,095 – $108,068 |
| Highest decile | Greater than $108,068 |

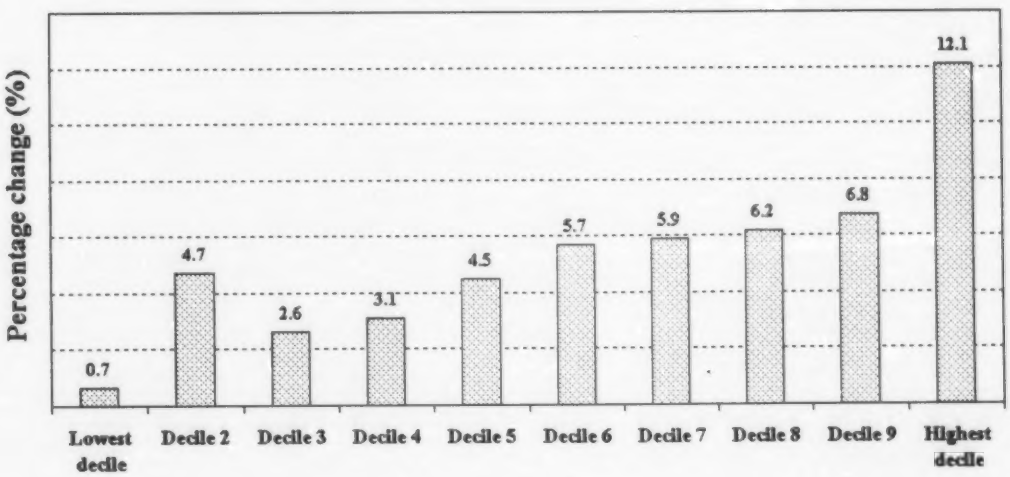
We can look at income shares using deciles. If income were shared equally among all families, each decile would have a 10 percent share of total income. However, income is not shared equally among families, as shown in Figure 8.2. Families in the lowest decile had only two percent of aggregate income in 1998 while families in the highest decile had 25 percent of aggregate income. Between 1994 and 1998 income inequality has grown slightly with many of the lower deciles' income shares decreasing and those of the highest groups increasing.

We can also look at changes in total income by deciles. We saw in Figure 8.1 that there had been some improvement in before-tax income over the last five years. When we examine the increases by decile, however, we see that the higher deciles, especially the highest group, had much greater increases in their incomes than the lowest deciles. Figure 8.3 shows that the gains were smaller for the lower, or poorer, deciles and bigger for the higher deciles. The uneven gains in income lead to increasing income gaps between the poor and the well-off.

## Figure 8.2: Income Shares (%) by Deciles for Families with Children



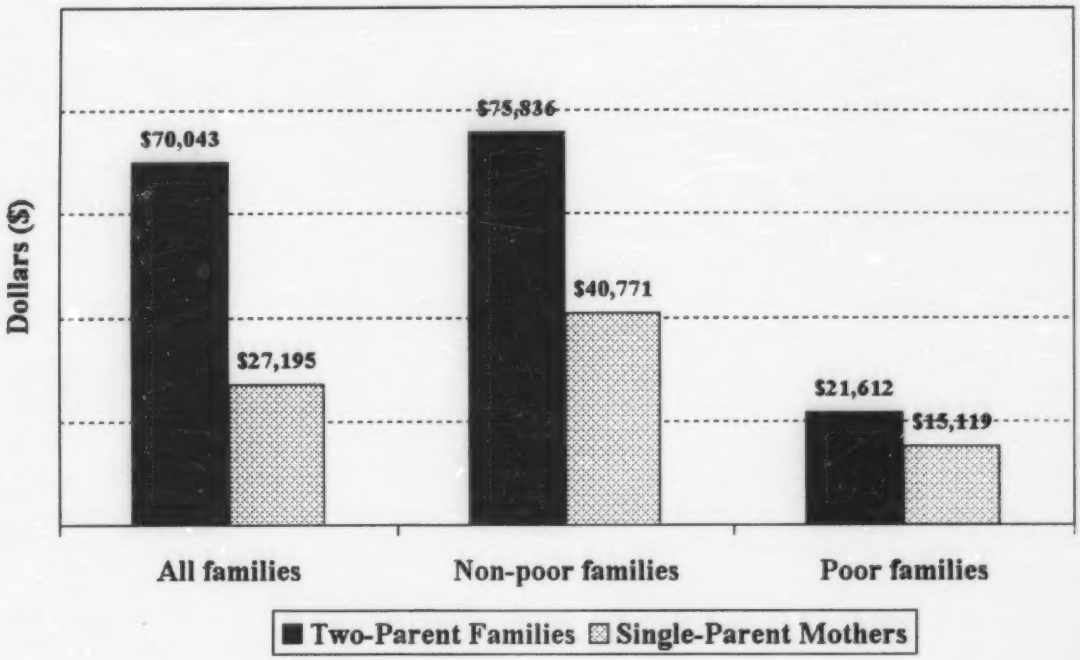

## Figure 8.3: Percentage Change in Average Before-Tax Income by Deciles for Families with Children, 1994-1998



## 8.3 AVERAGE INCOME OF THE POOR COMPARED TO THE NON-POOR

When we look at the average 1998 incomes of two-parent families and single-parent mothers, two-parent families have higher incomes whether the families are poor or not. Figure 8.4 shows that the difference is smaller for poor families, but still exists. This emphasizes the importance of having a second earner or second potential earner in a family and the importance of two adults supporting one another with family responsibilities.

## Figure 8.4: Average Before-Tax Income, 1998




Another important difference is that between poor and non-poor families. The average before-tax income of poor two-parent families was only 28 percent of the average for non-poor families. (Table 8.2)

In 1998, the difference between poor single-parent mothers and non-poor mothers was not as marked. The before-tax average income of poor single-parent mothers was 37 percent of non-poor single mothers. (Table 8.2) However, this seeming advantage for single-parent mothers is more due to the much lower average income of their non-poor counterparts than to poor single-parent mothers being better off than poor two-parent families.

You might think that after-tax income would show a significant reduction in the difference between poor and non-poor families' incomes since one of the goals of taxes is income redistribution. However, while poor families do have a higher percentage of after-tax income than before-tax income, the increase is only six to seven percentage points for both types of families. (Table 8.2)

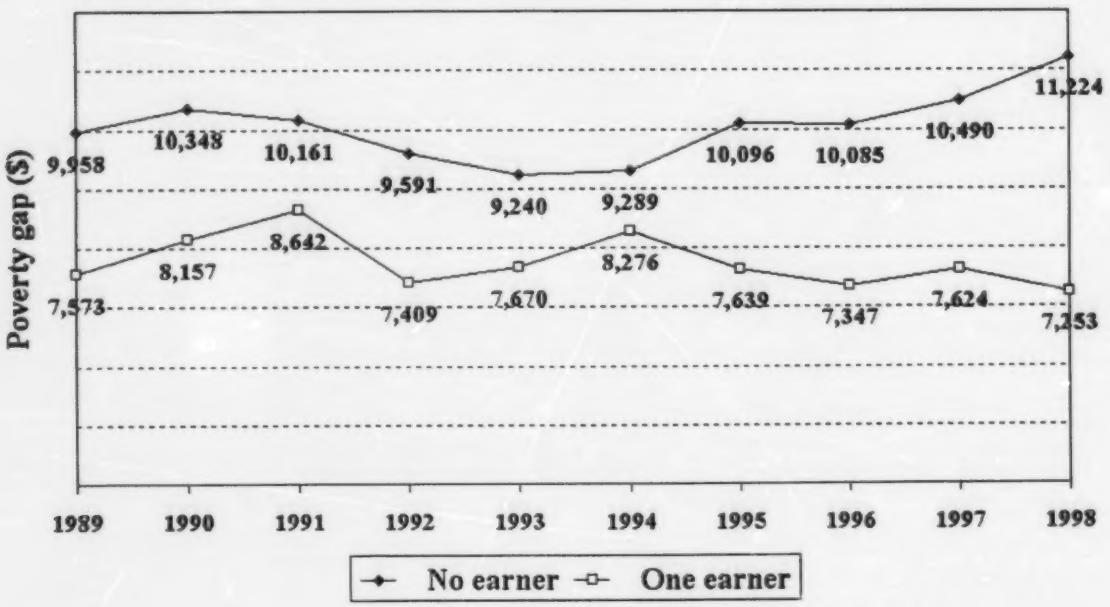
No matter whether we examine before-tax or after-tax income, the average income of poor single-parent mothers is less than half that of non-poor single mothers. Poor two-parent families' average income is not even 40 percent of non-poor two-parent families' average income.

## 8.4 POVERTY GAP

We have seen that the average incomes of poor families were significantly less than the average incomes of non-poor families. We can also examine how the average incomes of poor people compared to the poverty line. The difference between average income and the poverty line is often called the poverty gap.

On average, the income of poor single-parent mothers was 63 percent of the poverty line in 1998. The poverty gap was $8,950. Poor two-parent family incomes were, on average, 71 percent of the poverty line. While slightly higher than the percentage for single-parent mothers, the poverty gap was about the same at $8,919. This means that the average incomes for poor families with children were almost $9,000 *below* the poverty cut-off in 1998.

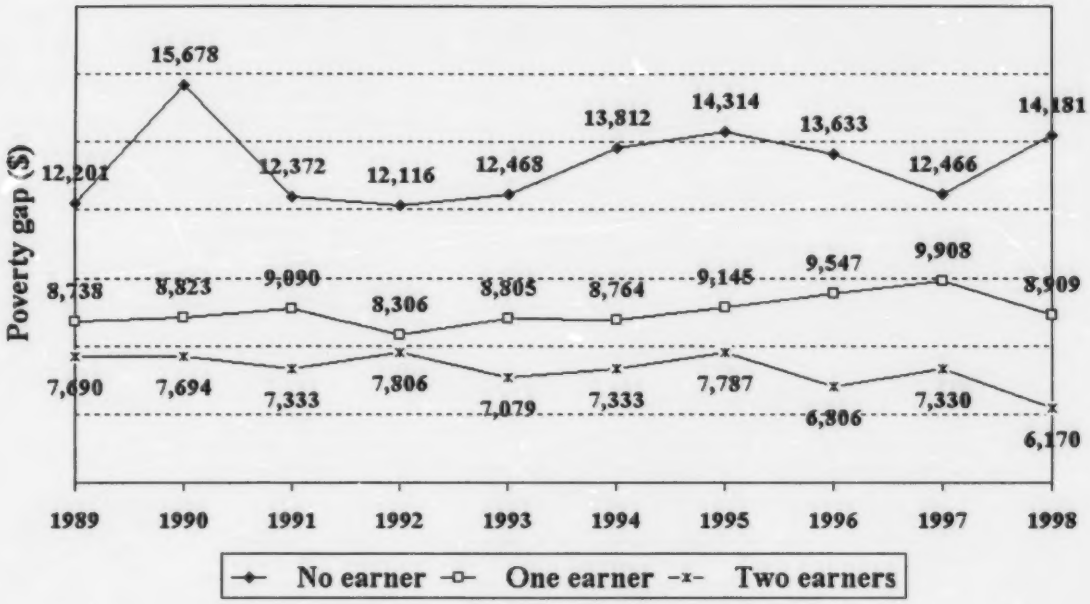
### Figure 8.5: Poverty Gap for Poor Single-Parent Mothers by Number of Earners, 1998




When we look at poverty gaps for poor families by number of earners, different trends emerge between families with earners and families without earners. As shown in Figure 8.5, from 1989 to 1994 the difference in poverty gaps between poor single-parent mothers with no earners and with one earner was steadily shrinking. By 1994, there was only $1,013

difference between the two types of families. Since then single-parent mother families with no earners have become increasingly poorer while single-parent mother families with one earner have slowly become less poor. By 1998, the average income of single-parent mother families with no earners was $11,224 below the poverty line. Single-parent mother families with one earner had a poverty gap of $7,253, almost $4,000 closer to the poverty line than families without earners.

## Figure 8.6: Poverty Gap for Poor Two-Parent Families by Number of Earners, 1998




There is not as clear a trend for poor two-parent families as for poor single-parent mothers. However, like single-parent mothers, two-parent families with no earners have the biggest poverty gap, that is, they are in the deepest poverty (Figure 8.6). Families with one earner are the next poorest while families with two earners have the smallest poverty gap, that is, they are the least poor.

In 1998 we may have seen the beginning of a new trend for poor two-parent families. For several years prior to 1998, the poverty gap for families with no earner had been decreasing, that is, those families that were poor were not as poor. For families with one earner the gap had been increasing, that is, poor families were becoming poorer. In 1998 these trends reversed. Families with no earner stopped improving and fell to a depth of poverty last seen in 1995. The poverty gap of families with one earner, on the other hand, turned around and improved. The poverty gap for families with two earners also improved. It is tempting to speculate that the National Child Benefit Supplement introduced in the summer of 1998 influenced these trends as the supplement was given mainly to working poor parents. However, while the supplement might explain the improvement for families with earners, it

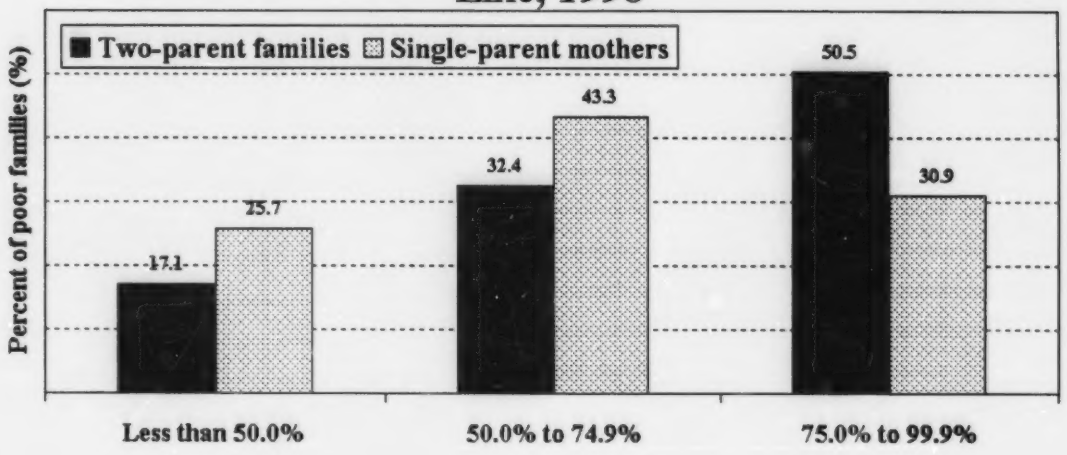
would not explain why families with no earner suddenly became much worse off. We will have to wait for more years of data to see if 1998 was merely a hiccup or the start of a new trend.

## 8.5 INCOME CATEGORIES BASED ON PERCENTAGE OF THE POVERTY LINE

We can group poor families into income categories based on percentages of the poverty line. This allows us to see how many families are close to the poverty line and how many are far below the line.

Figure 8.7 shows that more poor single-parent mothers lived in deeper poverty than poor two-parent families. One-quarter of poor single-parent mothers, or 79,000, had incomes that were less than half of the poverty line in 1998. (Table 8.3) This is severe poverty. It means, for example, that a single-parent mother with two children living in a large Canadian city like Toronto or Vancouver had an income that was less than $13,658.

### Figure 8.7: Distribution of Poor Families by Income Categories as a Percentage of Poverty Line, 1998




The proportion of poor two-parent families that had incomes of less than half the poverty line was smaller, but still substantial, at 17 percent or 56,000 families. (Table 8.3) As an example, a two-parent family with two children living in a big Canadian city would have had a family income of less than $16,532.

Another 43 percent, or 133,000, of poor single-parent mothers had incomes between 50 percent and 74.9 percent of the poverty line. A smaller proportion of poor two-parent families, 32 percent or 106,000, had incomes in this category. (Table 8.3)

The remaining 31 percent of single-parent mothers were in the income category closest to the poverty line (between 75 percent and 99.9 percent of the poverty line). A far greater proportion of poor two-parent families fell in this category at half of, or 165,000, families. (Table 8.3)

In summary, a higher proportion of poor single-parent mothers lived in deep poverty than poor two-parent families. A much higher share of poor two-parent families lived close to the poverty line compared to poor single-parent mothers.

**Sample Income Categories Based on Percent of Poverty Line for Selected Family Types with Two Children Living in an Urban Area of 500,000 and Over, 1998**

| Percent of Poverty Line | Single-Parent Mother | Two-Parent Family |
|---|---|---|
| Less than 50% | Less than $13,658 | Less than $16,532 |
| 50.0% - 74.9% | $13,658 – $20,485 | $16,532 – $24,976 |
| 75.0% - 99.9% | $20,486 – $27,314 | $24,797 – $33,062 |

We have already seen that families with young major income earners have higher rates of poverty. You may think that the same reasons that younger families are more likely to be poor would also make them the bulk of extremely poor families. While this hypothesis holds true to a certain degree for single-parent mothers, it does not hold for two-parent families.

When we look at single-parent mothers with income less than half of the poverty line, we see that just over half of these families had major income earners less than 35 years old. Families with major income earners between 35 and 64 years old made up 46 percent of the poorest of the poor. (Table 8.4)

For two-parent families, families with major income earners under 35 years old made up only one-third of the poorest income category. This means that 68 percent were families with major income earners between 35 and 64 years old. In fact, half of the poorest two-parent families had major income earners between 35 and 44 years old. (Table 8.4)

These findings are of concern because they show that the poorest of the poor are not just young parents just starting out in their careers. A great number of them are over 35 years old. We do not have the data to look at these older parents' income sources and work activity. However, it is likely that they do not have a strong attachment to the workforce. If they were working, they probably had very low paying jobs or short-term jobs. These families would likely depend heavily on welfare and other government transfers. As we showed in Chapter 6, one of the best guarantees against poverty is to work full-year at a full-time job. Older parents may have more difficulty entering the workforce and securing a good-paying job compared to a younger parent. An older parent's skills and education may be more outdated and employers may be reluctant to take them on in entry-level jobs.

**TABLE 8.1: AVERAGE BEFORE-TAX INCOME BY FAMILY TYPE FOR POOR AND NON-POOR FAMILIES, 1980-1998 (IN CONSTANT 1998 DOLLARS)**

| Year | Poor two-parent families | Non-poor two-parent families | Poor single-parent mothers | Non-poor single-parent mothers |
|---|---|---|---|---|
| 1980 | $19,374 | $66,917 | $13,639 | $42,105 |
| 1981 | $19,675 | $66,283 | $13,071 | $40,779 |
| 1982 | $19,851 | $65,454 | $13,913 | $38,268 |
| 1983 | $20,137 | $65,537 | $13,261 | $39,586 |
| 1984 | $19,834 | $66,163 | $13,958 | $41,866 |
| 1985 | $20,466 | $67,374 | $13,537 | $41,753 |
| 1986 | $19,992 | $68,382 | $13,898 | $38,452 |
| 1987 | $20,363 | $69,619 | $13,922 | $40,313 |
| 1988 | $20,930 | $70,244 | $14,083 | $38,910 |
| 1989 | $19,970 | $72,269 | $14,766 | $41,004 |
| 1990 | $20,350 | $71,291 | $14,574 | $41,346 |
| 1991 | $20,728 | $70,104 | $14,458 | $39,449 |
| 1992 | $19,242 | $70,646 | $14,990 | $40,061 |
| 1993 | $20,983 | $69,602 | $15,657 | $37,577 |
| 1994 | $20,368 | $70,850 | $15,044 | $39,274 |
| 1995 | $20,865 | $71,156 | $15,229 | $40,485 |
| 1996 | $20,633 | $71,582 | $15,102 | $39,721 |
| 1997 | $21,290 | $73,224 | $14,447 | $39,120 |
| 1998 | $21,612 | $75,836 | $15,119 | $40,771 |

**TABLE 8.2: AVERAGE INCOMES OF FAMILIES, 1998**

| Type of income and family | Average income of poor families | Average income of non-poor families | Average income of poor as percentage of non-poor | Average income of all families |
|---|---|---|---|---|
| Before-tax income | | | | |
| Single-parent mothers | $15,119 | $40,771 | 37% | $27,195 |
| Two-parent families | $21,612 | $75,836 | 28% | $70,043 |
| After-tax income | | | | |
| Single-parent mothers | $14,954 | $35,069 | 43% | $24,424 |
| Two-parent families | $20,830 | $59,170 | 35% | $55,074 |

**TABLE 8.3: NUMBER AND DISTRIBUTION OF POOR FAMILIES BY INCOME CATEGORIES BASED ON PERCENTAGE OF THE POVERTY LINE, 1998**

| Income category as percentage of poverty line | Poor two-parent families | | Poor single-parent mothers | |
|---|---|---|---|---|
| | Number | Distribution (%) | Number | Distribution (%) |
| Less than 50% | 56,000 | 17.1 | 79,000 | 25.7 |
| 50.0% to 74.9% | 106,000 | 32.4 | 133,000 | 43.3 |
| 75.0% to 99.9% | 165,000 | 50.5 | 95,000 | 30.9 |
| Total | 327,000 | 100.0 | 307,000 | 100.0 |

**TABLE 8.4: NUMBER AND DISTRIBUTION OF POOR FAMILIES WITH INCOME LESS THAN 50% OF THE POVERTY LINE, BY AGE OF FAMILY MAJOR INCOME EARNER, 1998**

| Age of major income earner | Two-parent families | | Single-parent mothers | |
|---|---|---|---|---|
| | Number | Distribution (%) | Number | Distribution (%) |
| Less than 35 years old | 18,000 | 32.1 | 43,000 | 54.4 |
| 35–64 years old | 38,000 | 67.9 | 36,000 | 45.6 |
| 35-44 years old | 28,000 | 50.0 | 27,000 | 34.2 |
| 45-64 years old | sample too small | | sample too small | |
| Total | 56,000 | 100.0 | 79,000 | 100.0 |

## 9.0 SOURCES OF INCOME

Sources of income for the families of poor children are quite different from the sources of incomes of families who are not poor. Parents in poor families are less likely to be working than are parents in non-poor families. Still, the myth that all poor families depend solely on welfare and other government payments is not true.

Like the chapter on depth of poverty, this section looks at families, not individual children, as income is calculated for the entire family.

### 9.1 MAJOR SOURCE OF FAMILY INCOME

In 1998, almost all non-poor children (95.4 percent) lived in families where the major source of income was wages and salaries or self-employment income as shown in Figure 9.1. The importance of earnings in keeping families out of poverty is reinforced when we look at poor children. Only slightly more than a third (38.1 percent) of poor children lived in families where the major source of income was wages and salaries or self-employment income.

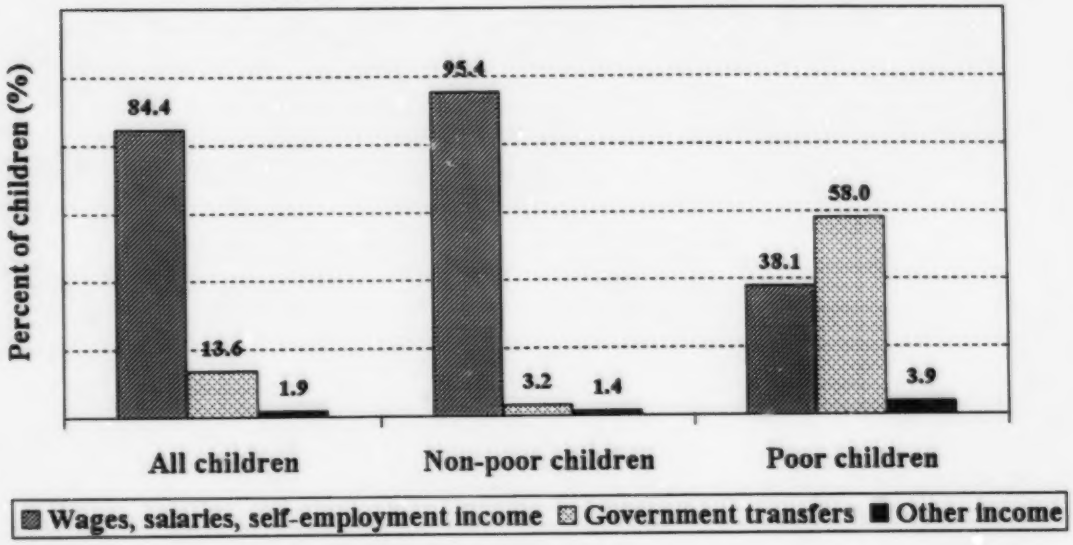
"Government transfers" include Employment Insurance, Old Age Security, Canada and Quebec Pension Plans, Guaranteed Income Supplements, Spouse's Allowance, Child Tax Benefit, other child credits or allowances, welfare from provincial and municipal programs, workers' compensation benefits, GST/HST credits, provincial and territorial tax credits and any other government transfers.

More than half (58 percent) of poor children lived in families where the major source of income was government transfers. Only a very small percent (3.2 percent) of non-poor children lived in such families.

Children who lived in families where the major source of income was wages and salaries had a much lower chance of living in poverty compared to children whose family relied on government transfers. The poverty rate in 1998 was only 5.4 percent for children living in two-parent families where the major source of income is wages and salaries. The poverty rate jumped to 74.4 percent when the major source of income was government transfers. For children living with single-parent mothers, the poverty rate was 22.6 percent when the major source of income was wages and salaries. The poverty rate was 90.3 percent when the major source of income was government transfers.

In addition to the variation in poverty rates by the family's major source of income, there was also a substantial difference between family types. This was especially noticeable when we looked at the poverty rates for families that relied on wages and salaries. In 1998, only 5.4 percent of children in two-parent families lived in poverty. This was in striking contrast to the poverty rate of 22.6 percent for children living with single-parent mothers. This again emphasizes the difficulties single-parent mothers have without a second earner in the family or a second adult to share child care responsibilities. It may also be a reflection of the lower wages that women earn and the extra difficulties for single-parents of holding a well-paying and demanding job while juggling their sole responsibilities for their children's needs.

## Figure 9.1: Distribution of Children by Major Source of Family Income, 1998



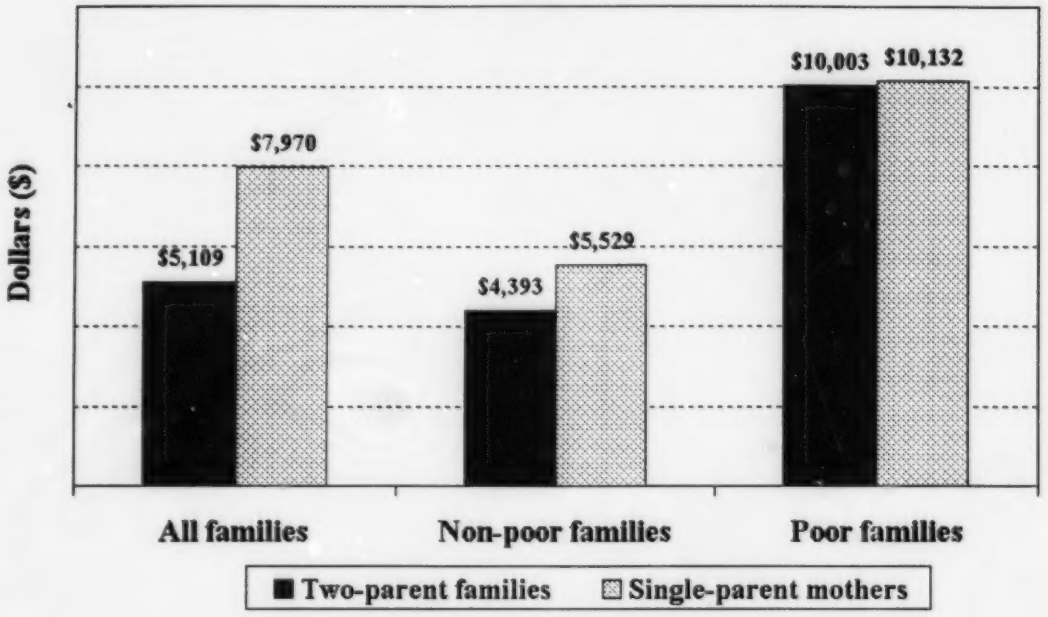

Excludes 9,000 unattached children, that is, children who were not living with a relative.

### 9.2 GOVERNMENT TRANSFERS

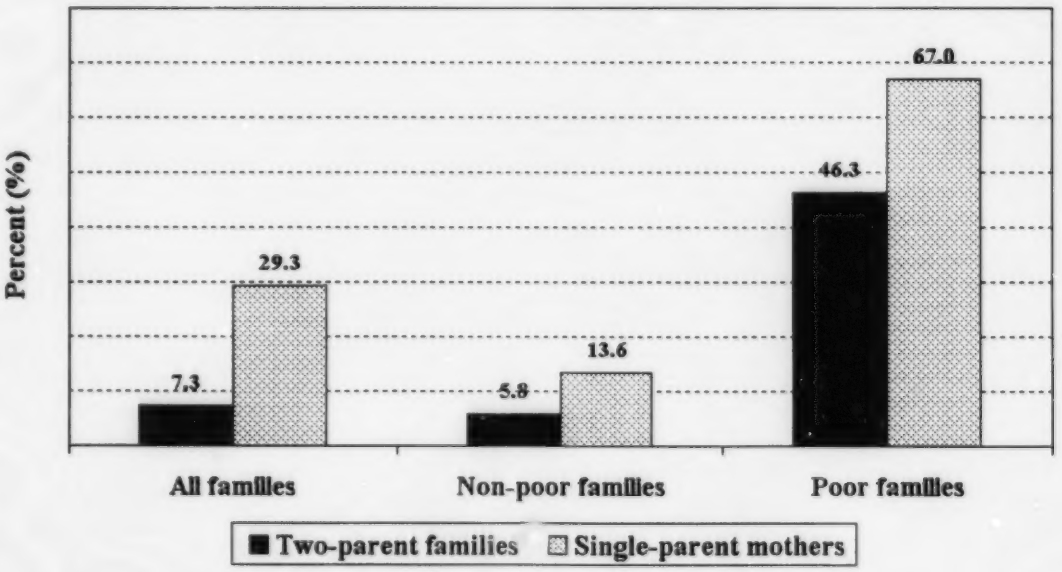
Obviously, many poor parents and children rely on government transfers. Figure 9.2 shows the average amount of government transfers received by poor families with children in 1998. The average transfer payment was about $10,000 for both types of families. However, the lower average income of poor single-parent mothers means that government transfers made up a higher proportion of their income than two-parent families. (Table 9.1) Figure 9.3 shows government programs of one kind or another accounted for 46.3 percent of the total income of two-parent families and 67 percent of total income for single-parent mothers.

Many non-poor families also receive transfer payments, mainly child tax benefits and GST/HST credits. The average transfer payments to non-poor families were around half the level of payments to poor families. But given the much higher incomes of non-poor families, government transfers only made up a very small percentage of their total income. As displayed in Figure 9.3, government transfers accounted for 5.8 percent of the total income of two-parent families and 13.6 percent of total income for single-parent mothers in 1998.

## Figure 9.2: Average Government Transfers, 1998




## Figure 9.3: Government Transfers as a Percentage of Total Income, 1998



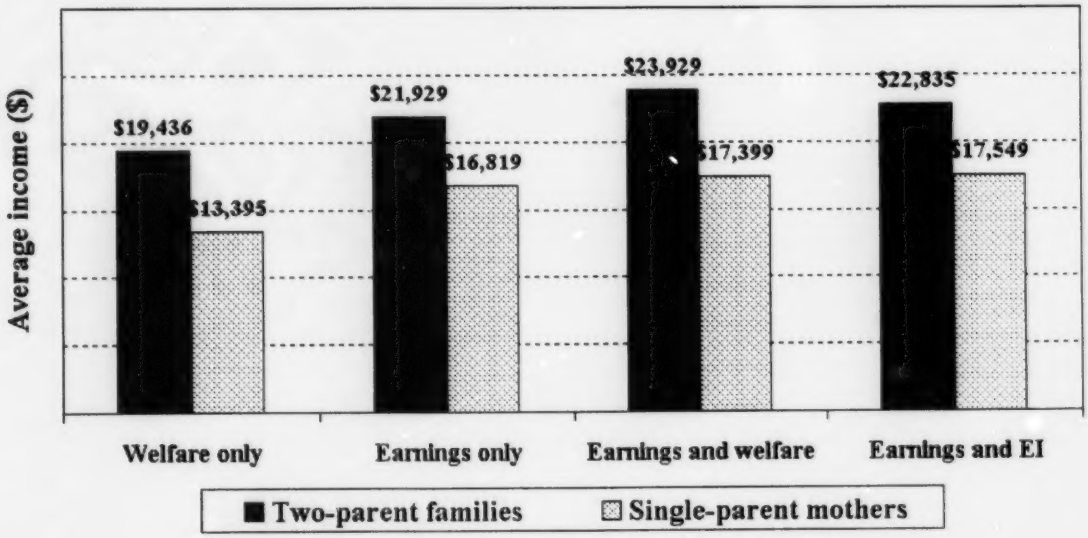
A government transfer that is often an important source of income to poor families is welfare. Single-parent mothers have much higher rates of welfare receipt than two-parent families. Welfare payments were reported by 68.5 percent of poor single-parent mothers. Just over a third (35.2 percent) of poor two-parent families received welfare in 1998. The average amount received in 1998 was higher for two-parent families at $9,681 compared to $7,931 for poor single-parent mothers. (Table 9.2)

## 9.3 EARNINGS, WELFARE AND EMPLOYMENT INSURANCE

Figure 9.2 showed the value of government transfers for all poor families. This includes families whose major source of income is wages and salaries as well as families where the major source of income is government transfers or other types of income. We can look in more detail at families by their primary source of income. Primary sources of income for poor families with children were assumed to be earnings, Employment Insurance, welfare or a combination of the three sources.

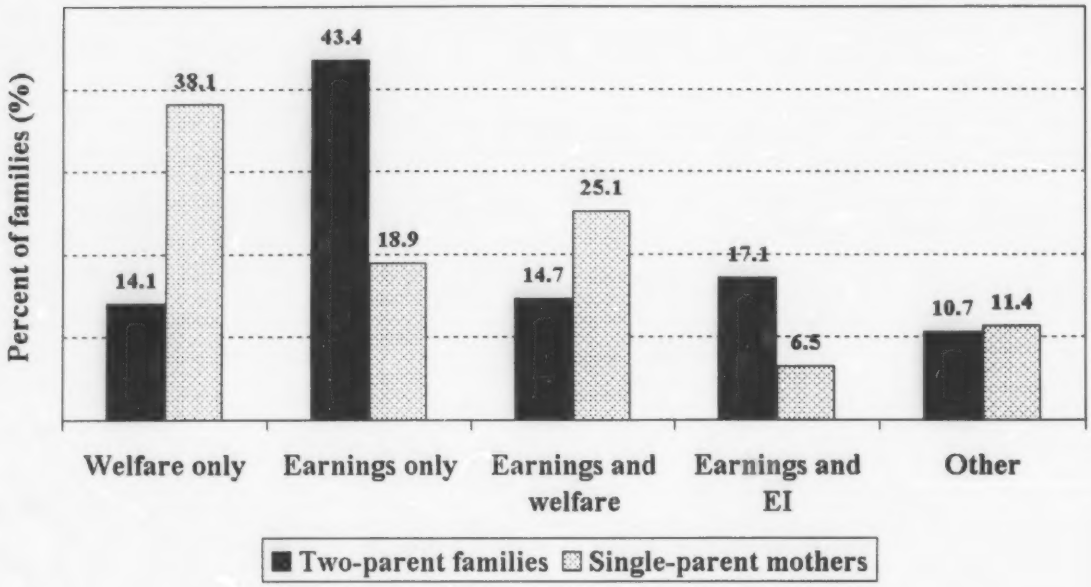
Poor families that received welfare and did not have any earnings or Employment Insurance benefits had extremely low average incomes. As shown in the far left-hand side of Figure 9.4, the average income in 1998 for single-parent mothers was $13,395 and the average for two-parent families was $19,436. Welfare made up about two-thirds of total income. The remaining income was made up of items such as child tax benefits and GST/HST and provincial/territorial tax credits. (Table 9.3)

**Figure 9.4: Average Income of Poor Families with Children for Selected Sources of Income, 1998**



There were 46,000 poor two-parent families that relied on welfare alone. This is far less than the 117,000 poor single-parent mothers whose only income was welfare. (Table 9.4) The numbers work out to over a third (38.1 percent) of poor single-parent mothers depending on welfare only in 1998, compared to 14.1 percent of poor two-parent families as shown in Figure 9.5.

## Figure 9.5: Distribution of Poor Families with Children for Selected Sources of Income, 1998




Poor two-parent families are more likely to have earnings only and no Employment Insurance benefits or welfare. There were 142,000 poor two-parent families in this situation compared to 58,000 single-parent mothers. (Table 9.4) In fact, 43.4 percent of poor two-parent families relied on earnings alone compared to 18.9 percent of poor single-parent mothers. (Figure 9.5)

Poor families with earnings alone had higher average incomes than poor families with welfare alone. As shown under the second category in Figure 9.4, the average income for two-parent families was $21,929 and the average for single-parent mothers was $16,819 in 1998. Earnings received by two-parent families made up 68 percent of total average income. The percentage was slightly lower for single-parent mothers at 61 percent. The remaining income was made up of items such as child tax benefits, investment income, GST/HST and provincial/territorial tax credits and other income such as alimony and child support. (Table 9.3)

Although only 18.9 percent of poor single-parent mothers depended on earnings alone, this does not mean that only those single-parent mothers had earnings. Many others reported earnings, but in combination with other sources of income. Including those families that had

earnings only, more than half (55 percent) of poor single-parent mothers had at least some earnings during the year. (Table 9.2)

Similarly, while 43.4 percent of poor two-parent families had earnings only, a very high percentage had at least some earnings during the year. Including those that had earnings only, 80.3 percent of poor two-parent families had received some earnings in 1998. (Table 9.2)

The only other sources of income that were received by a higher percentage of poor families than earnings were the Child Tax Benefit for two-parent families, and welfare and the Child Tax Benefit for single-parent mothers. (Table 9.2)

We have enough data for 1998 to look specifically at two combinations of earnings and other sources of income for poor families: earnings with welfare and earnings with Employment Insurance.

Poor single-parent mothers were more likely than two-parent families to receive a combination of earnings and welfare than poor two-parent families. Poor single-parent mothers with these sources of income had total average income of $17,399. They derived much more of their total income from welfare than from earnings. Poor two-parent families, on the other hand, had similar levels of earnings and welfare. (Table 9.3)

Two-parent families were more likely to have a combination of earnings and Employment Insurance than poor single-parent mothers were. These two-parent families and single-parent mothers derived close to 60 percent of their total income from earnings. (Table 9.3)

Poor families that received earnings in combination with welfare or with Employment Insurance had the highest average incomes. Poor families that had earnings only had the second lowest average incomes and families that received welfare only had the lowest.

## 9.4 CANADA CHILD TAX BENEFIT

An important source of income for poor families with children is the Child Tax Benefit. The Child Tax Benefit was introduced in 1993 to replace Family Allowances, the refundable Child Tax Credit and the non-refundable credit for families with children under 18 who pay federal income tax. As of July 1, 1998, the Canada Child Tax Benefit (CCTB) replaced the Child Tax Benefit. The Canada Child Tax Benefit is part of the National Child Benefit program and consists of a basic benefit and a supplement. The basic benefit provides federal income support to all low- and middle-income families with children. The supplement, often referred to as the National Child Benefit (NCB) supplement, provides additional federal income support only to low-income families.

The Canada Child Tax Benefit was the first major new social program in years and was implemented with the co-operation and support of provincial and territorial governments. The initiative was made possible because of major new financial commitments by the federal government. The National Council of Welfare applauded the federal government for boosting its financial support for families with children and commended both levels of government for their joint efforts in this important area.

At the same time the Council voiced, and has continued to voice, concerns about the "claw-back" of federal child benefits by provincial and territorial governments. The provinces and territories were given the option of reducing a poor family's welfare payments

by the amount of the supplement. These "savings" are to be reinvested by the provinces and territories to respond to regional needs and priorities for children in low-income families. When the Canada Child Tax Benefit was introduced in 1998 only Newfoundland and New Brunswick decided not to subtract the increase in federal benefits from families' welfare incomes. Manitoba announced in its 2001/02 budget that it would completely end the claw-back for families with children aged six and under.

One of the goals of the National Child Benefit is to promote labour force attachment by ensuring that families will always be better off as a result of working. The additional money going to working poor families through the Canada Child Tax Benefit basic benefit and supplement is intended to help these families with some of the extra expenses of working. It is also intended to create an extra incentive for parents on welfare to find jobs.

Another goal of the program is to prevent and reduce the depth of child poverty in Canada. Families that depend solely on welfare have the lowest average incomes, as we just showed in the previous section. These are the families who, for all intents and purposes, do not get to keep the NCB supplement provided under the Canada Child Tax Benefit. The amount of the supplement is subtracted from their welfare cheques in almost all provinces. In the view of the National Council of Welfare, this is contradictory to the goal of reducing the depth of child poverty in Canada. As shown in the following table, the supplement that a poor family with two children would lose in 2000-2001 is $1,748.[16] This is a substantial sum when the average income of a poor single-parent mother receiving welfare with no earnings or Employment Insurance benefits is $13,395.

Canada Child Tax Benefit July 2000 to June 2001

| Number of children in family | Basic benefit | Supplement | Total benefit |
|---|---|---|---|
| One child | $1,104 | $977 | $2,081 |
| Two children | $2,208 | $1,748 | $3,956 |
| Three children | $3,389 | $2,442 | $5,831 |
| Four children | $4,416 | $3,136 | $7,552 |

Note: Alberta and Quebec vary the amount of the basic benefit their residents receive.

Source: Canada Customs and Revenue Agency, T4114(E) Rev. 00

At the start of the CCTB, in the face of no official government estimates of the impact of the Canada Child Tax Benefit, the Council made its own estimate in the 1998 report *Child Benefits: Kids Are Still Hungry*. With the publication of the program's progress reports, we now have data on the number of families who received the NCB supplement. Using this data, we can revise our estimates of the percentage of families who get to keep the full amount of supplement.

[16] Families who have earnings or other sources of income and receive welfare also have their supplement clawed back. The amount of the clawback varies from province to province.

*The National Child Benefit Progress Report: 2000* showed that 1,378,293 families received the supplement from July 1998 to June 1999. The report also showed the number of two-parent and single-parent families receiving welfare based on numbers in March of each calendar year. Using these numbers we estimate, as shown in the box below, that around 66 percent of families who received the supplement kept the full amount, that is, these families did not have any of the supplement clawed back by provincial and territorial governments.

Estimate of families keeping the full National Child Benefit Supplement (NCBS)

| Family type | Total families receiving the NCBS July 1998 to June 1999 | SUBTRACT | Total families receiving social assistance (March 1999) | EQUALS | Families keeping the full supplement | |
|---|---|---|---|---|---|---|
| | | | | | Number | Percent |
| Single-parent families | 801,898 | – | 347,700 | = | 454,198 | 57% |
| Two-parent families | 576,395 | – | 121,600 | = | 454,795 | 79% |
| All families | 1,378,293 | – | 469,300 | = | 908,993 | 66% |

Note: The number of families receiving social assistance was not available by province so we are unable to account for New Brunswick and Newfoundland not clawing back the supplement. Given the relatively small population of the two provinces, it is likely that this omission underestimates families receiving the full supplement by only a few percentage points.

The estimates show a clear bias against single-parent families. While about 79 percent of two-parent families keep the full NCB supplement only around 57 percent of single-parent families do, a difference of 22 percentage points.

**TABLE 9.1: TRANSFER PAYMENTS TO FAMILIES WITH CHILDREN, 1998**

| Family Type | Average Transfer Payment | | Average Income from All Sources | | Transfers as Percentage of Total Income | |
|---|---|---|---|---|---|---|
| | Poor families | Non-poor families | Poor families | Non-poor families | Poor families | Non-poor families |
| Two-parent families | $10,003 | $4,393 | $21,612 | $75,836 | 46.3% | 5.8% |
| Single-parent mothers | $10,132 | $5,529 | $15,119 | $40,771 | 67.0% | 13.6% |

**TABLE 9.2: SOURCES OF INCOME FOR POOR FAMILIES WITH CHILDREN, 1998**

| Source of Income | Poor two-parent families | | Poor single-parent mothers | |
|---|---|---|---|---|
| | Percent who receive | Average amount to recipient | Percent who receive | Average amount to recipient |
| Earnings | 80.3% | $13,336 | 55.0% | $7,414 |
| Welfare | 35.2% | $9,681 | 68.5% | $7,931 |
| Employment Insurance | 23.8% | $4,380 | 12.6% | $3,306 |
| Investments | 24.6% | $969 | 7.4% | $81 |
| Child Tax Benefit | 99.7% | $4,229 | 99.9% | $3,386 |
| Workers' Compensation | 6.8% | $5,074 | Sample size too small | |
| Income From All Sources | 100% | $21,612 | 100% | $15,119 |

**TABLE 9.3: INCOMES OF POOR FAMILIES WITH CHILDREN BY PRIMARY SOURCES OF INCOME, 1998**

| Primary Source(s) of Income | Poor two-parent families | Poor single-parent mothers |
|---|---|---|
| EARNINGS (no welfare or EI) | | |
| Total Average Income | $21,929 | $16,819 |
| Average Earnings | $15,005 | $10,305 |
| Child Benefits | $4,139 | $3,846 |
| EARNINGS AND EMPLOYMENT INSURANCE (no welfare) | | |
| Total Average Income | $22,835 | $17,549 |
| Average Earnings | $13,525 | $10,022 |
| Average EI | $4,488 | $3,577 |
| Child Benefits | $3,649 | $3,259 |
| EARNINGS AND WELFARE (no EI) | | |
| Total Average Income | $23,929 | $17,399 |
| Average Earnings | $8,632 | $4,828 |
| Average Welfare | $9,182 | $7,432 |
| Child Benefits | $4,575 | $3,311 |
| WELFARE (no earnings or EI) | | |
| Total Average Income | $19,436 | $13,395 |
| Average Welfare | $12,373 | $8,834 |
| Child Benefits | $4,751 | $3,320 |

**TABLE 9.4: NUMBER OF POOR FAMILIES WITH CHILDREN BY PRIMARY SOURCES OF INCOME, 1998**

| Primary Source(s) of Income | Poor two-parent families | Poor single-parent mothers |
|---|---|---|
| Earnings (no welfare or EI) | 142,000 | 58,000 |
| Earnings and Employment Insurance (no welfare) | 56,000 | 20,000 |
| Earnings and welfare (no EI) | 48,000 | 77,000 |
| Welfare (no earnings or EI) | 46,000 | 117,000 |

## 10.0 DURATION OF POVERTY

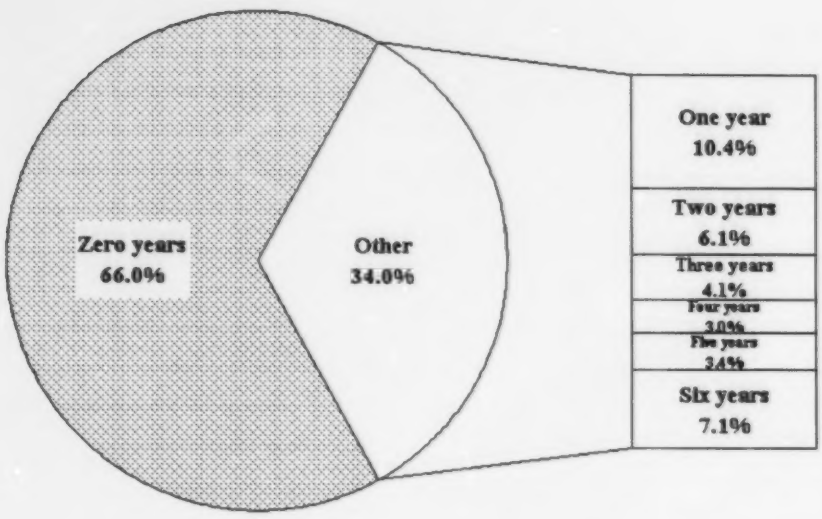
When examining child poverty trends in Canada, we saw that poverty rates ranged from about 15 percent to 22 percent between 1980 and 1998. Based on this, it is tempting to conclude that only 15 percent to 22 percent of children have experienced poverty. However, with the advent of longitudinal studies that follow families over time, there is now data that shows poverty touches a greater number of children than may be thought from looking at yearly poverty rates.

The major Canadian longitudinal study, the Survey of Labour and Income Dynamics (SLID), was designed to capture changes in the economic well-being of individuals and families over time. People are followed for six consecutive years. The data collected enables researchers to see how people's financial circumstances changed each year. The first six-year cycle of SLID has been completed. It started in 1993 and ended in 1998.

### 10.1 ALL CHILDREN[17]

Data from the survey showed that between 1993 and 1998, 34 percent of children in Canada experienced poverty for at least one year between 1993 and 1998. This rate is higher than annual poverty rates because some children and their families were moving in and out of poverty throughout the six-year period. For some of these children, poverty only lasted for a short period while for others poverty was a persistent state over some or all of the six years.

**Figure 10.1: Persistence of Poverty for Children in Canada, 1993-1998**




[17] Data for this section is taken from Statistics Canada, *Incomes in Canada, 1998* (Catalogue No. 75-202-XIE).

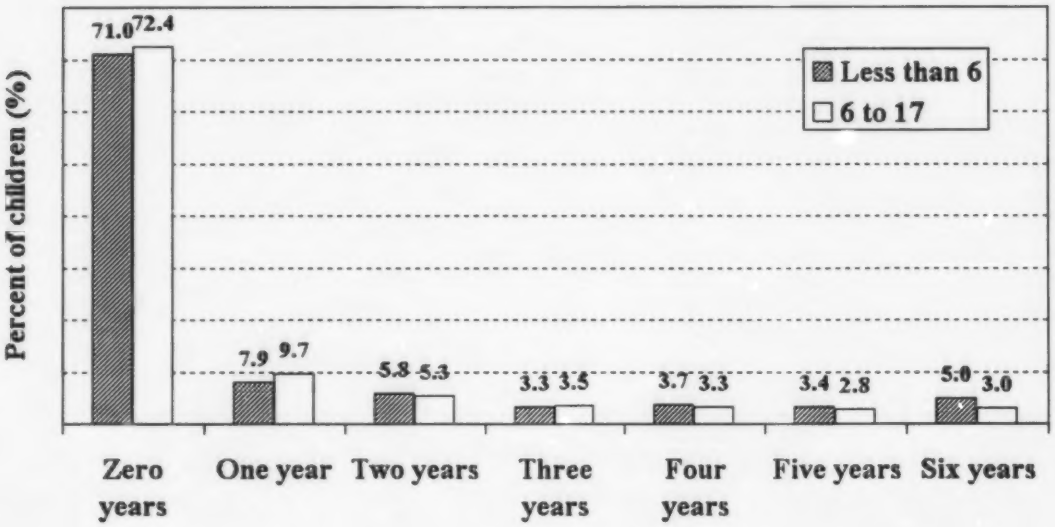
As Figure 10.1 shows, about one in ten children lived in poverty for one year, while smaller numbers experienced poverty for two or three years over the six-year period. A full 13.5 percent of all children lived in poverty for extended period of time, four or more years. A smaller percentage, 7.1 percent, lived in poverty for the entire six years.

## 10.2 YOUNG CHILDREN[18]

A recently published paper by Statistics Canada showed that a greater percentage of young children experienced long term poverty than older children. The study used after-tax low income cutoffs unlike the before-tax low income cutoffs used in the rest of this report (see appendix for details of low income cutoffs).

The findings, as illustrated in Figure 10.2, show that 12.1 percent of children less than six years old lived in poverty for four or more years compared to 9.1 percent of children six to seventeen years old. Five percent of children less than six years old experienced poverty for all six years compared to three percent of six to seventeen year olds. This is not a complete surprise as we know that family poverty rates are higher when children are younger. We also know that poverty rates are higher for younger parents and young children are more likely to have young parents than older children.

**Figure 10.2: Number of Years in Poverty of Children in Canada, by Age of Child, 1993-1998 (using after-tax poverty lines)**




[18] Data for this section is taken from René Morissette and Xuelin Zhang "Experiencing low income for several years" (Statistics Canada Catalogue No. 75-001-XIE, Vol. 2, No. 3), March 2001.

The evidence of sustained periods of poverty in the early years is particularly concerning in the light of mounting evidence pointing to the significance of this developmental period. It would seem that it is especially important to have early childhood development programs in place to help poor preschoolers and their families overcome the difficulties they face and to help these families move out of poverty. The First Ministers announced in September 2000 that $2.2 billion has been earmarked for early childhood development over five years. The money is to be spent on four "key areas for action":

- Promotion of healthy pregnancy, birth and infancy
- Improvement of parenting and family supports
- Strengthening early childhood development, learning and care
- Strengthening community supports

The provinces and territories will each decide how the money will be spent in their jurisdiction. By the end of 2001 we should know details on provincial and territorial programs. We hope that programs developed with this money will target poor families with children, but the agreement does not specifically state that this is a priority.

## 10.3 FAMILY TYPE[19]

We can also examine duration of poverty by family type. When we look at the persistence of low income by family type, we see a familiar pattern. People living in single-parent families (single-parent mothers and single-parent fathers) were exposed to low income more frequently than were people living in two-parent families as shown in Figure 10.3. While 84.4 percent of people living in two-parent families experienced no poverty over the six years, less than half (42.4 percent) of people living in single-parent families did not.

When we look at longer-term poverty of four years or more, fully 38 percent of people living in single-parent families over the entire six years experienced low income for four years or more. The corresponding rate for people who lived in two-parent families was substantially lower at 5.6 percent. Almost 20 percent of people who lived in single-parent families lived in poverty for the entire six years. Only 2.5 percent of people who lived in two-parent families lived in poverty for the whole six years.

These numbers refer to people whose family type did not change over the six years of the study. Without doubt, some families change over time. A person who was a single-parent in 1993 may marry or enter a common-law relationship. A two-parent family may break up through divorce or death. For this reason, the study also looked at the persistence of low income for family type as defined at the start of the study in 1993. This allows us to examine those people whose family type changed during the study in addition to those whose family type did not change.

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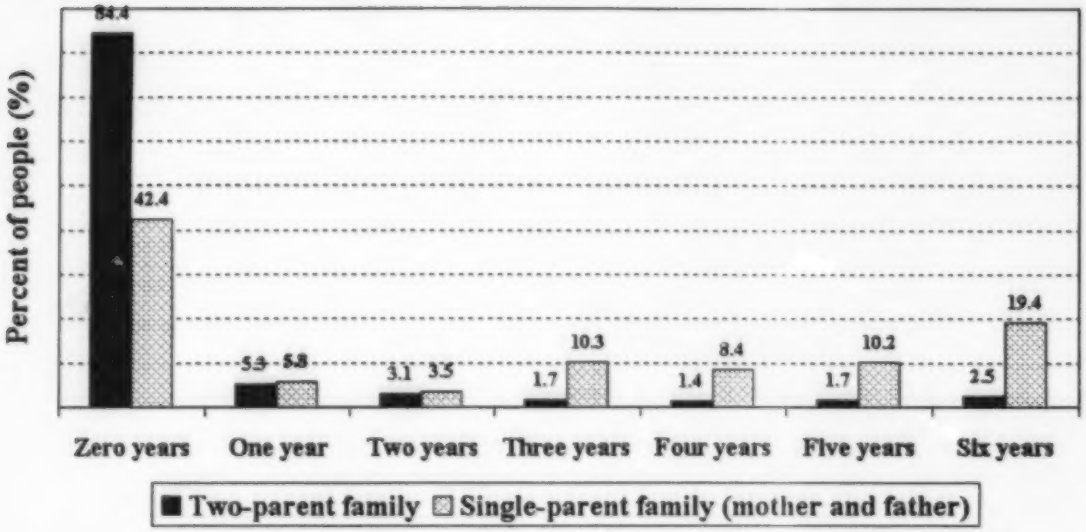
[19] Data for this section is taken from René Morissette and Xuelin Zhang "Experiencing low income for several years" (Statistics Canada Catalogue No. 75-001-XIE, Vol. 2, No. 3), March 2001.

## Figure 10.3: Distribution of Persons by Family Type and Number of Years in Poverty, 1993-1998




When this is done, the occurrence of long term poverty decreases. Of all persons living in single-parent families in 1993, one-quarter experienced poverty for four years or more compared to 38 percent of people who lived in single-parent families for the entire six years. The rate for two-parent families was almost unchanged at 5.5 percent. (Table 10.1)

**TABLE 10.1: PERCENTAGE DISTRIBUTION OF PEOPLE WITH LOW INCOME BY FAMILY TYPE, 1993-1998**

| Family composition in 1993 | Years of low income | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | Total |
| Two-parent families | 80.2% | 7.6% | 4.5% | 2.3% | 1.9% | 1.5% | 2.1% | 100% |
| Single-parent family (mother and father) | 47.6% | 11.5% | 7.5% | 8.0% | 6.7% | 7.6% | 11.1% | 100% |

Source: René Morissette and Xuelin Zhang "Experiencing low income for several years" (Statistics Canada Catalogue No. 75-001-XIE, Vol. 2, No. 3), March 2001, p. 7.

## CONCLUSION

There is no one single defining portrait of child poverty. Poor children live in two-parent families and in single-parent families. A great number of them have parents who work full-time. A great number of them live in families that depend on welfare. Some of their parents did not finish high school, some of their parents have a post-secondary diploma. Within this range of experiences, however, some groups stand out.

Children living with single-parent mothers face many difficulties. They are more likely to be poor, they are more likely to be in poverty for an extended period of time and their families are more likely to live deep in poverty. They are almost three times as likely to depend solely on welfare than two-parent families. Their higher rate of reliance on welfare means that they and their children are also less likely to see an improvement in their incomes from the federal government's multi-billion dollar National Child Benefit supplement as most provinces have chosen to claw back the supplement from welfare recipients.

Aboriginal children have abysmally high poverty rates. They are more likely to live with single-parent mothers than children in the general population and the poverty rate for Aboriginal single-parent mothers is substantially higher than that for all single-parent mothers.

Families with young children are more likely to be poor than are families with older children. Young children are more likely to live in poverty for longer periods of time than older children. Given the importance of the early years in childhood development, this is a serious concern.

Half of poor children lived in a family where the major income earner worked. Working poor families struggle to meet their needs. A poor single-parent mother who relied on earnings and did not receive welfare or Employment Insurance had an average income of only $16,819 in 1998. The Canadian Association of Food Banks reported that 26 percent of food bank clients in Alberta, 31 percent in Manitoba and 45 percent in Prince Edward Island were working poor in March 2000.[20]

Given these statistics, the National Council of Welfare was delighted to hear in the Speech from the Throne the announcement that this government plans "to ensure that no Canadian child suffers the debilitating effects of poverty" by making the elimination of child poverty a "national project." The National Council of Welfare strongly agrees with the federal government that child poverty requires a national project. However, the most important national project for children is no single program: it is the development of a national family policy encompassing both income supports and direct services.

In our view, this means the creation of comprehensive policies that support all parents and their children, but low-income parents and their children should be the priority. A national family policy must ensure the following.

- Those families forced to depend on welfare must have adequate incomes no matter what their work status. We have seen that families that are dependent on welfare have the

[20] Beth Wilson with Carly Steinman, HungerCount 2000: A Surplus of Hunger (Canadian Association of Food Banks, October 2000), p. 8.

lowest incomes. We also know that income plays a large role in child development outcomes.

- Families must have the supports they need to re-enter the work force or stay in the work force. We have seen that children are much less likely to live in poverty if one, or both, of their parents is working. The National Child Benefit is an income support that will help working poor families. However, income support is not the only type of support required. We have seen that education is a risk factor for poverty. Training and education programs are important in getting parents back into the work force and keeping them there in good jobs. But, we also saw that higher levels of education are not a guarantee against poverty. There are other barriers to finding and keeping a job. Families, most particularly single-parent families, cannot participate fully in the work force unless they can find high-quality child care that they can afford. High quality child care and early education programs also provide enormous benefits to children in their early development thus helping them get a better start in life. Women, people from some visible minority groups, Aboriginal people and people with disabilities face serious obstacles in the labour market that undermine their ability to support their children. Strong employment equity and pay equity laws could make a difference in helping these groups enter and remain in the work force.

- Parents who enter the work force must be able to rise over the poverty line. Many poor children live with parents who work, even with parents who work full-time for the entire year. Parents need jobs that allow them to support themselves and their children at adequate levels.

An integrated system of good family policy to overcome child poverty would address labour, income support, employment equity and education policies in tandem with child care and early childhood education.

The National Council of Welfare is cautiously optimistic about the priority accorded to child poverty by the current government. We sincerely hope that this issue remains a top priority for the rest of this government's mandate and beyond. But, we have heard promises before that never came to fruition, most particularly the all-party resolution of 1989 to eliminate poverty by end of the century. We wait to hear more details and see the results of programs. Child poverty affects us all, both today and tomorrow. As the government stated in its most recent Speech from the Throne:

> "Securing a good start in life for children is the only way to ensure that they are ready to learn, to seize opportunity as adults, and to contribute to the building of their country."

## APPENDIX A: METHODOLOGY

### DATA SOURCES

The data, unless otherwise stated, is from Statistics Canada's Survey of Consumer Finance and Survey of Labour and Income Dynamics (SLID). We apply the Statistics Canada standard of using the Survey of Consumer Finance data for years prior to 1996 and the Survey of Labour and Income Dynamics for 1996 and onwards. The latest data available is 1998.

The 1998 SLID was conducted in January and May of 1999 and sampled roughly 30,000 private households from all parts of the country except for Yukon, the Northwest Territories, Nunavut, Indian reserves, and institutions such as prisons, mental hospitals, and homes for the elderly. The survey looked at incomes for the 1998 calendar year. Close to three-quarters of SLID respondents gave their consent to the use of their TI tax information to provide income data.

The 1998 results were published by Statistics Canada under the title *Income in Canada, 1998*. Statistics Canada also provided custom tabulations to the National Council of Welfare.

### MEASURE OF POVERTY

Information about poverty is obtained by comparing the survey data with the low income cutoffs or LICOs of Statistics Canada. The LICOs represent levels of income where people spend disproportionate amounts of money for food, shelter and clothing.

This publication uses the 1992 base low income cutoffs. They are referred to as 1992 base LICOs because they use data collected about spending patterns on food, shelter and clothing for 1992.

To determine the level of income at which families are significantly worse off than others, Statistics Canada adds 20 percentage points to the proportion of income spent by all families on food, shelter and clothing. Canadian families spent, on average, 34.7 percent of before-tax income on food, shelter and clothing in 1992, so it was assumed that low-income Canadians spent 54.7 percent or more on these three items.

Low income cutoffs are also available using after-tax income. After-tax income is total income, including government transfers, less income taxes. This publication makes use of the more commonly used before-tax low income cutoffs unless otherwise specified.

The low income cutoffs vary by the size of the family unit and the population of the area of residence. There are seven categories of family size, from one person to seven or more persons, and five community sizes ranging from rural areas to cities with 500,000 or more residents. The result is a set of 35 cutoffs. The cutoffs are updated annually by Statistics Canada using the Consumer Price Index.

The entire set of 35 cutoffs for 1998 appears in Table A.1. The cutoffs range from $12,142 for a family of one in a rural area to $44,751 for a family of seven or more in a large city.

**TABLE A.1: STATISTICS CANADA'S LOW INCOME BEFORE TAX CUTOFFS (1992 BASE) FOR 1998**

| Family Size | Community Size | | | | |
|---|---|---|---|---|---|
| | Cities of 500,000+ | 100,000-499,999 | 30,000-99,999 | Less than 30,000 | Rural Areas |
| 1 | $17,571 | $15,070 | $14,965 | $13,924 | $12,142 |
| 2 | $21,962 | $18,837 | $18,706 | $17,405 | $15,178 |
| 3 | $27,315 | $23,429 | $23,264 | $21,647 | $18,877 |
| 4 | $33,063 | $28,359 | $28,162 | $26,205 | $22,849 |
| 5 | $36,958 | $31,701 | $31,481 | $29,293 | $25,542 |
| 6 | $40,855 | $35,043 | $34,798 | $32,379 | $28,235 |
| 7+ | $44,751 | $38,385 | $38,117 | $35,467 | $30,928 |

The National Council of Welfare and many other social policy groups regard the LICOs as poverty lines and use the terms "poor" and "low-income" interchangeably. Statistics Canada states that the cutoffs have no official status as poverty lines given the absence of politically-sanctioned social consensus on who should be regarded as poor at both an international and national level. Statistics Canada regards the low income cutoffs as "... well-defined methodology which identifies those who are substantially worse off than average."[21]

Regardless of the terminology, the cutoffs are a useful tool for defining and analyzing the significantly large portion of the Canadian population with low incomes. They are not the only measures of poverty used in Canada, but they are the most widely accepted and are roughly comparable to most alternative measures.

## DECILES

**Income deciles** are used to understand the distribution of income. To calculate income deciles, families with children were ranked from the lowest to the highest by the value of their total before-tax income. Starting at the family with the lowest value and moving up to the family with the next lowest value, and so on, the families were divided into ten groups of equal numbers. These ten groups are called deciles. At the bottom end of the ranked families is the decile containing the ten percent of families with the lowest incomes. The decile at the other end contains the ten percent of families with the highest incomes.

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[21] Statistics Canada, *Income in Canada 1998*, (Catalogue No. 75-202-XIE), p. 256.

Figure A.1: The before-tax income decile ladder for families with children, 1998

A useful way to visualize deciles is in terms of a ladder with ten rungs.[22] At the top of the ladder are the richest families, or the top decile. At the bottom of the ladder are the poorest families, or bottom decile. In Figure A.1, each rung on the ladder represents the upper-income limit for each decile in 1998. For example, the poorest ten percent of families with children had before-tax incomes of $18,692 or less.

We can use deciles to examine the distribution of income in a number of different ways. For example, we can look at income shares using deciles. Income shares show us what percentage of aggregate income (the sum of the incomes of all families) are held by the families in each decile. This allows us to see how equally, or unequally, income is shared among families. If income were shared equally, each decile would have a ten percent share of aggregate income. In Canada this is not the case. The lowest decile holds about two percent of aggregate income while the highest decile holds about 25 percent.

Another example is trends in average income by decile. This allows us to compare increases or decreases in average incomes for families in different deciles. For example, are the average incomes of families in the highest decile increasing at a faster rate than the lowest decile? That is, are the rich getting richer while the poor are getting poorer? Or are all families sharing similar increases or decreases in average income?

[22] Adapted from Clarence Lochhead and Vivian Shalla "Delivering the goods: income distribution and the precarious middle class" Perception, 1996, Volume 20, No.1, pp. 15-16.

## APPENDIX B: COMPARISON TO OTHER NATIONAL COUNCIL OF WELFARE PUBLICATIONS

The National Council of Welfare publishes an annual statistical profile of poverty in Canada called *Poverty Profile*. Poverty statistics in this report will differ slightly from those in *Poverty Profile 1998* because of two technical updates.

This is the first report published by the Council that adopts the more commonly used and published 1992 base low income cutoff. Previous issues of *Poverty Profile* used the 1986 base LICOs. The methodology used to set the 1992 base low income cutoffs is the same as the methodology used to set the 1986 base low income cutoffs that were used in previous Council publications. However, the 1986 survey data estimated average expenditures on food, shelter and clothing at 36.2 percent of total income so it was assumed that low-income people would spend 56.2 percent or more of their income on these three necessities. The 1992 base LICOs assume that low-income Canadians spent 54.7 percent or more on food, shelter and clothing.

The second technical update is the incorporation of Statistics Canada's revision of low income data for the period 1980 to 1993. Statistics Canada revised its low income data for the period 1980 through 1993 in the 1994 version of *Income Distributions by Size in Canada*. The revisions included shifting population estimates to the 1991 census base, adjusting the estimates to correct under coverage, and including non-permanent residents physically present in Canada. The revisions had very little effect on rates of poverty, but they tended to add slightly to the number of people living in poverty.

For the 1994 to 1998 editions of *Poverty Profile*, the National Council of Welfare decided as a general rule to continue using the data for earlier years as originally published. In this report, all data has been updated to reflect the revisions made for the years 1980-1993.

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## NATIONAL COUNCIL OF WELFARE

The National Council of Welfare was established by the Government Organization Act, 1969, as a citizens' advisory body to the federal government. It advises the Minister of Human Resources Development on matters of concern to low-income Canadians.

The Council consists of members drawn from across Canada and appointed by the Governor-in-Council. All are private citizens and serve in their personal capacities rather than as representatives of organizations or agencies. The membership of the Council has included past and present welfare recipients, public housing tenants and other low-income people, as well as educators, social workers and people involved in voluntary or charitable organizations.

Reports by the National Council of Welfare deal with a wide range of issues on poverty and social policy in Canada, including income security programs, welfare reform, medicare, poverty lines and poverty statistics, the retirement income system, taxation, labour market issues, social services and legal aid.

On peut se procurer des exemplaires en français de toutes les publications du Conseil national du bien-être social, en s'adressant au Conseil national du bien-être social, 9$^{e}$ étage, 112, rue Kent, Ottawa, Ontario, K1A 0J9, sous notre site web au www.ncwcnbes.net ou sous forme de courrier électronique au ncw@magi.com.